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Cover

===== COVER

Report to the Chairman, Legislation and National Security
Subcommittee, Committee on Government Operations, House of
Representatives

January 1994

FOREIGN ASSISTANCE - INADEQUATE
ACCOUNTABILITY FOR U.S. DONATIONS
TO THE WORLD FOOD PROGRAM

GAO/NSIAD-94-29

Donations to the World Food Program

Abbreviations

===== ABBREV

AID - Agency for International Development
FFP - Office of Food for Peace
GAO - U.S. General Accounting Office
UNHCR - United Nations High Commissioner for Refugees
USDA - U.S. Department of Agriculture
WFP - World Food Program

Letter

===== LETTER

B-254791

January 28, 1994

The Honorable John Conyers, Jr.
Chairman, Legislation and National
Security Subcommittee,
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

As requested, we reviewed the Agency for International Development's management of U.S. food donations to the World Food Program and the United States' responsiveness to emergency food requests. We make recommendations in the report that are intended to improve this management and accelerate the U.S. response to emergencies.

We plan no further distribution of this report until 30 days from the date of this letter unless you publicly announce the report's contents earlier. At that time, we will send copies to the Administrator of the Agency for International Development and the Secretaries of the Departments of State and Agriculture; the Director, Office of Management and Budget; the Executive Director of the World Food Program; and other interested parties. Copies will also be made available to others on request.

Please contact me at (202) 512-4128 if you or your staff have any questions concerning this report. Other major contributors are listed in appendix V.

Sincerely yours,

Harold J. Johnson
Director, International
Affairs Issues

EXECUTIVE SUMMARY

===== Chapter 0

PURPOSE

----- Chapter 0:1

The Agency for International Development (AID) is charged by title II of Public Law 480 with managing emergency and nonemergency U.S. food donations. In the past 3 years, AID has increasingly relied on the World Food Program (WFP)--a U.N. agency--to manage these donations. During fiscal year 1992, the U.S. government contributed about \$372 million to WFP programs, \$228 million of which AID provided in title II funds and commodities.

Concerned about reports of mismanagement and slow response to disasters, the Chairman of the House Committee on Government Operations asked GAO to review the management of food donations to WFP. GAO's objectives were to determine whether (1) AID's procedures for ensuring that accountability was maintained over U.S. donations to WFP were adequate and (2) the United States was responsive to WFP

emergency food requests. In its review of AID's accountability procedures, GAO focused on five WFP projects involving U.S. donations--three protracted refugee operations and two development projects.

BACKGROUND

----- Chapter 0:2

The United States is one of the world's largest donors of food for humanitarian purposes. Title II of Public Law 480 authorizes the United States to donate food to nongovernmental organizations, foreign governments, and multilateral institutions such as WFP for emergency and nonemergency uses overseas. AID has primary oversight responsibility for these food grants, and the Departments of State and Agriculture play ancillary roles. State is primarily responsible for setting broad U.S. policy with U.N. agencies, but AID is the lead agency for U.S. interaction with WFP. The Agriculture Department (USDA) procures title II commodities for AID and also provides additional commodities directly to WFP through its section 416(b) program. As the lead agency, AID is responsible for working through the WFP governing board to ensure proper accountability for U.S. contributions.

Established in 1961, WFP is supported by voluntary contributions from donor countries. During 1992, it supplied \$1.7 billion of food for more than 258 development projects in 90 countries and for 60 percent of all international emergency food relief. This included emergency operations in Somalia, the former Yugoslavia, and southern Africa. WFP estimates that its food projects fed over 42 million people in 1992.

Because WFP lacks the resources to carry out large-scale projects, it negotiates implementation agreements with host governments and nongovernmental organizations. Once projects have begun, WFP is responsible for monitoring them to ensure they are carried out in accordance with the agreements. WFP periodically reports to the United States and other donors on how their contributions were used.

RESULTS IN BRIEF

----- Chapter 0:3

Thousands of tons of U.S. commodities donated to WFP have been lost, stolen, or mishandled. Inadequate accountability over the donations by WFP, and AID's inattention to WFP's accountability and internal control problems, invited these losses to occur and has made detection difficult. WFP is exempt from the title II accountability requirements AID placed on other program sponsors, and AID did not follow its own regulations governing its relationship with WFP. Prolonged mismanagement of WFP projects and massive losses of U.S. donations went unchecked because AID relied on ineffective WFP accountability procedures and did not monitor the donations' distribution or uses. AID did not detect WFP's procedural weaknesses and commodity losses, in part, because it was unfamiliar with WFP's monitoring practices and because WFP reports to donors were incomplete and inaccurate.

The United States does not always respond quickly to WFP emergency food requests. During fiscal year 1992, U.S. donations generally arrived almost 8 months after WFP's emergency request. The slow U.S. response occurred because AID does not routinely treat WFP emergency requests as emergencies and because USDA uses the same procurement and shipping procedures for emergency and nonemergency orders. Despite the slow U.S. response, emergency victims have not suffered because WFP is able to substitute food stocks from other sources until U.S. donations arrive.

PRINCIPAL FINDINGS

----- Chapter 0:4

POOR ACCOUNTABILITY FOR U.S. DONATIONS

----- Chapter 0:4.1

AID has a fiduciary responsibility to protect U.S. government funds; however, it provided virtually no oversight of commodities furnished to WFP. WFP is exempt from AID's accountability requirements that are imposed on foreign governments and nongovernmental organizations because WFP is a U.N. agency. However, AID provided little oversight of WFP's accountability processes through U.S. membership on the governing board because AID officials said they believed WFP was a well-managed organization. GAO found, however, that AID officials were not familiar with (1) WFP's accountability procedures, (2) problems with WFP projects, (3) actual loss rates of U.S. donations, or (4) the WFP external auditor's findings regarding accountability problems.

AID has not followed its own guidance on its relationship with WFP. AID requires its missions to periodically assess the management of each WFP project involving U.S. donations so the United States can recommend any needed project improvements. However, in four of the five projects GAO reviewed, AID missions did not assess WFP and host government project management capabilities. As a result, U.S. officials were not in a position to recommend improvements to safeguard U.S. donations or identify and stop commodity mismanagement during program implementation.

WFP delegated the responsibility to manage commodity donations to recipient host governments and nongovernmental organizations without imposing adequate accountability requirements on them. In addition, GAO found that WFP's project monitoring practices were often unreliable. As a result, WFP's accountability over donations varied significantly from project to project, and WFP cannot assure AID that U.S. commodities are properly managed and accounted for.

Of the five WFP projects GAO reviewed, two were generally well managed and sustained low rates of food losses. In India, WFP relied on the government's accountability system. In the Liberia project, WFP relied on the Red Cross's accountability system. In both projects, GAO found that WFP's partners had systems in place to (1) safeguard donations, (2) provide effective monitoring, (3) ensure

minimal losses, and (4) produce accurate loss reports. The Liberia project's ability to safeguard U.S. donations was especially notable given the civil strife in the region.

However, WFP projects in Ethiopia, Afghanistan, and Pakistan suffered sustained and significant food losses. In Ethiopia, WFP provided food for up to 400,000 people who were not eligible for WFP commodities, in part, because WFP relied on information from the United Nations High Commissioner for Refugees (UNHCR) who had responsibility for estimating refugee numbers. In one large camp alone, UNHCR officials estimated that 40 percent of WFP's food for 250,000 refugees was stolen. For the Afghan refugee operation in Pakistan, WFP provided food to over 270,000 fraudulently registered people from 1987 to 1992. This amounted to 194,400 metric tons of wheat, valued at \$25.3 million, and 9,720 metric tons of edible oil, valued at \$9.7 million. During this period, the United States provided 40 percent of all wheat contributions and most of the oil. In the Pakistan food-for-work project, WFP allocated 985,000 workdays of food between 1988 and 1990; 710,000 workdays of food, totaling 2,200 metric tons, was stolen or misappropriated. Although WFP notified the government of Pakistan about the losses, the government disagreed and never compensated WFP for the lost food.

AID relied on incomplete and inaccurate WFP reports for information on the handling of U.S. donations. WFP does not report project-specific losses to donors. Although WFP collects this information, GAO found that the data were not always reliable. For example, WFP did not use loss reports from Ethiopia because the reports were considered grossly inaccurate. In the Afghan refugee program, the local WFP office failed to report (1) potential losses of up to 900 metric tons due to government skimming; (2) thousands of tons in losses from fraudulent distribution, although fraudulent distribution is considered theft; and (3) additional losses reported by its monitors. Furthermore, WFP's management assessments were not effective at identifying or correcting commodity mismanagement.

These and other GAO findings on specific WFP projects are described in appendix I.

WFP audit reports have repeatedly cited the need to improve WFP accountability, monitoring, and reporting procedures. However, WFP has not fully implemented many of its auditors' recommendations. Furthermore, WFP does not provide its internal audit reports to donors. As a result, donors cannot make fully informed decisions about program improvements needed to protect their donations.

The WFP Executive Director has acknowledged these problems and has begun to take corrective action. She cited the lack of adequate donor contributions toward WFP operating expenses as a key impediment to improving accountability.

AID RESPONDS SLOWLY TO EMERGENCY FOOD REQUESTS

----- Chapter 0:4.2

AID does not have a system to expedite the approval of emergency food

requests. Emergency food requests must be approved before the food can be purchased, and in fiscal year 1992, AID took nearly 3 months on average to approve requests from WFP and submit them to USDA for procurement of commodities. Although AID has quickly approved some donations, a timely response depends mostly on U.S. interest in the emergency situation and the initiative of the responsible AID officer.

Purchasing and shipping emergency donations, a USDA responsibility, took another 5 months on average. USDA officials said it would be difficult to provide processed commodities more quickly than this. Although USDA can save about 1 month by following expedited procedures, AID did not request expedited procedures for any of the emergency commodity orders that GAO reviewed. Despite the slow U.S. response, WFP officials stated that emergency victims did not suffer because WFP was able to substitute food stocks from other sources until U.S. emergency donations arrived.

RECOMMENDATIONS

----- Chapter 0:5

In chapters 2 and 3, GAO makes recommendations to the Administrator of AID that are intended to improve accountability over U.S. donations to WFP and accelerate the U.S. response to WFP emergency food requests.

AGENCY COMMENTS

----- Chapter 0:6

In its comments (reprinted in app. II), AID did not disagree with GAO's specific findings or recommendations for improved accountability for U.S. donations; however, AID contended that (1) since the United States relies on the management, audit, and procurement policies and procedures of international organizations when making contributions to them, AID is not responsible for ensuring that U.S. contributions are properly managed and not wasted; (2) management problems at WFP and losses of commodities were not as severe as GAO portrayed them; and (3) even if some losses did occur, GAO did not sufficiently appreciate the management challenge WFP confronted in difficult and sometimes hostile operating environments.

GAO acknowledges that the United States, by agreement, relies on international organizations to appropriately use and safeguard U.S. contributions. However, this does not relieve U.S. government agencies such as AID from their fundamental responsibility to protect U.S. government funds or other assets. In the case of WFP, AID could have done this by (1) ensuring that WFP had the capacity and systems to properly manage and safeguard U.S. donations before donations were made, which it did not do, or (2) finding other means to provide the assistance, such as through private voluntary organizations.

GAO did not overstate the severity of WFP's management problems or the losses that occurred. In commenting on this report, WFP

acknowledged that it had not dealt with many of the management, administrative, and accountability issues as effectively as it could have. GAO appreciates the difficult challenge WFP continues to face in meeting emergency and development needs, and WFP's comments on this point (reprinted in app. III) describe in some detail actions WFP has recently taken or plans to take to address the matters discussed in this report.

USDA stated in its comments (reprinted in app. IV) that it will work with AID and the WFP governing body to strengthen WFP's internal controls.

INTRODUCTION

===== Chapter 1

The United States has been one of the largest donors to the World Food Program (WFP)--a U.N. agency--and, in fiscal year 1992, provided it about \$372 million for food, transportation, and operating expenses largely through funds from title II of Public Law 480. Because of its lead role in managing the title II program, the Agency for International Development (AID) has the primary oversight responsibility for contributions to WFP; the Departments of State and Agriculture also have important roles.

U.S. CONTRIBUTIONS TO WFP

----- Chapter 1:1

AID's authority to donate food to WFP operations is derived from title II of the Agricultural Trade Development and Assistance Act of 1954, as amended, commonly known as Public Law 480. Title II authorizes AID to donate agricultural commodities to meet international emergency relief requirements and carry out nonemergency feeding programs overseas. By law, about 75 percent of title II commodities are dedicated to nonemergency use, although the requirement may be waived to meet emergency needs. Title II commodities are distributed through nongovernmental organizations, international organizations like WFP, and foreign governments. During fiscal year 1992, AID provided commodities and transportation services valued at \$228.2 million to WFP. This represents about 29 percent of the \$788.7 million AID provided to all title II sponsors during that year.

According to AID officials, AID contributes a significant portion of the title II budget to WFP for several reasons. WFP's status as a U.N. agency allows it to operate in areas that might be hostile to U.S.-affiliated agencies. As a neutral agent, WFP has been able to mediate between warring factions and establish safe passage corridors to facilitate food aid deliveries. WFP also has the capacity to obtain, store, transport, and distribute large quantities of food throughout the developing countries. According to AID, because WFP has large amounts of food positioned throughout the world, it can respond quickly to emergencies.

Other U.S. agencies also contribute funding or commodities to WFP. The most significant contributor other than AID has been the

Department of Agriculture (USDA), which provides surplus commodities under section 416(b) of the Agricultural Act of 1949, as amended.\1 Total U.S. contributions to WFP by AID, USDA, and the State Department in fiscal years 1990, 1991, and 1992 are shown in table 1.1.

Table 1.1

Contributions by U.S. Agencies to WFP in
Fiscal Years 1990-92

(Dollars in millions)

U.S. agency	1990	1991	1992
AID/title II			
Development/protracted refugee programs	\$143.6	\$120.2	\$173.8
Emergency operations	22.1	151.6	54.4
AID/Office of Foreign Disaster Assistance	1.7	2.1	8.2
USDA/section 416(b)	12.7	34.0	110.0
State/International Organization Affairs	1.0	1.0	2.0
State/Refugee Programs	0.0	3.5	23.6
Total	\$181.1	\$312.4	\$372.0

Sources: AID, USDA, and State Department.

The United States has been one of WFP's largest donors. According to WFP data, the United States committed over \$1 billion to WFP during calendar years 1991 and 1992.\2 The next two largest donors during that period were the Commission of the European Communities, at \$593 million, and Canada, at \$276 million. Of the total 2-year U.S. commitment to WFP, \$223 million was for development programs; \$340 million for refugee operations; and \$439 million for emergency operations.

\1 Section 416(b) authorizes donations of commodities owned by USDA's Commodity Credit Corporation to foreign food aid programs, provided that the needs of domestic food aid programs have been met first. Program sponsors may be nongovernmental organizations, international organizations, or foreign governments.

\2 WFP's data for U.S. contributions do not match the U.S. data in table 1.1 because of the difference in U.S. and WFP reporting periods (fiscal years versus calendar years) and accounting systems.

Amendments to Public Law 480 in 1990 placed direct responsibility for implementing the title II program with AID. Within AID, the Bureau for Food and Humanitarian Assistance's Office of Food for Peace (FFP) is responsible for programming title II resources and ensuring that accountability is maintained for U.S. donations to WFP. As the lead agency, AID represents the United States on WFP's governing board (the Committee on Food Aid Policies and Programs) and works through the governing board to ensure program accountability. It also evaluates and approves proposed WFP projects, develops the title II pledge to WFP programs, and responds to emergency appeals.

AID heads the U.S. delegation to WFP's governing board, but the delegation also includes officials from USDA and the State Department. As part of the Committee, the delegation is responsible for approving WFP project proposals and general policy actions. AID and USDA representatives to the Committee's Subcommittee on Projects evaluate and comment on each project presented by WFP. AID also has a liaison located in Rome who represents U.S. food aid interests to WFP staff and representatives of other member nations, evaluates and develops policies to improve the effectiveness of WFP, and coordinates the exchange of information concerning U.S. contributions to WFP.

FFP is responsible for formulating the title II pledge to WFP and recommending approval of any title II contributions to WFP made outside of the pledge, such as for emergency operations. AID's pledge to WFP is directed toward development projects and refugee programs. For calendar years 1993 and 1994, AID pledged a total of \$350 million for commodities and transportation costs, allowing WFP to allocate the funds between development and refugee programs. In the past, AID specified certain amounts for each program type.

AID's Bureau for Food and Humanitarian Assistance prepares guidance and regulations for AID missions overseas to use in planning and implementing food aid programs. As the center of title II operations, FFP monitors the overall title II budget and adjusts funds among programs and sponsors as needs and priorities change. FFP also initiates commodity procurement by coordinating with USDA, which makes Public Law 480 purchases, and monitors shipments as they move toward their destinations. Through occasional field visits and reports from AID missions, FFP monitors the food situation and AID's ongoing food programs in various countries.

In response to emergencies, FFP works with other AID offices, the State Department, USDA, and other agencies to coordinate U.S. assistance. Unlike U.S. donations to WFP development and refugee projects, which are authorized by the U.S. pledge to WFP for shipping upon WFP request, each WFP emergency request is reviewed and approved individually by AID. AID enters into a formal agreement with WFP concerning the types and quantities of emergency foods to be contributed and orders the approved commodities from USDA.

In addition to AID, the State Department and USDA also have important interests in WFP.

The State Department's Bureau of Refugee Programs coordinates with

WFP because WFP is the predominant source of food for refugees. The Bureau provides a portion of the commodity transportation costs for WFP refugee projects.

The State Department's Bureau of International Organization Affairs shapes U.S. policy on WFP governance issues and longer term structural concerns of the U.N. system. The Bureau has been the only U.S. source of general operating funds for WFP.

USDA's Agricultural Stabilization and Conservation Service identifies commodities available for title II donations and arranges for procurement, processing, and transportation to U.S. ports for shipment.

USDA's Foreign Agricultural Service manages food aid provided to WFP through its section 416(b) program.

THE WORLD FOOD PROGRAM

----- Chapter 1:3

WFP was established in 1961 as a 3-year experiment by parallel resolutions of the U.N. General Assembly and the Food and Agriculture Organization Conference, and WFP continues to report to both organizations. Since its inception, WFP has provided food for use in approved development projects and, in recent years, has assumed increasing responsibility for support and management of humanitarian emergency feeding activities. WFP spent about \$1.7 billion on development and emergency projects in 1992, with an estimated 15 million people benefiting from 258 development projects and an estimated 27 million people benefiting from emergency operations. WFP handled 60 percent of all international relief food in 1992. The organization employs about 3,700 staff, including full-time and part-time project personnel and consultants, of which less than 500 are located at WFP's Headquarters in Rome, Italy; the remaining personnel are located in field offices in 85 countries.

WFP's emergency relief activities have increased dramatically in the past several years. Its commitments to relief activities were nearly 50 percent higher in 1992 than in 1991. By 1993, WFP's relief activities accounted for 60 percent of WFP's total resources. In recent years, WFP has provided food to major emergencies in Somalia, Liberia, the former Yugoslavia, the Persian Gulf, and southern Africa. To respond quickly to emergencies, WFP often borrows food stocks from its hundreds of development programs or diverts its ships bound for less time-critical projects.

Participation in WFP is open to U.N. member countries and to member and associate member countries of the Food and Agriculture Organization; however, because WFP obtains its resources through voluntary contributions from governments and does not make assessments, it has no formal membership. The WFP Secretariat, headed by an Executive Director, is located in Rome, Italy, and is responsible for program planning, operations, and evaluations. During 1991, certain outstanding questions about reorganizing WFP to (1) meet its growing agenda, (2) ensure accountability, and (3) empower donor countries and developing countries to exercise full

oversight of WFP operations were resolved. What follows are some of the most important changes:

WFP obtained working autonomy and legal status that enables it to carry out its mission independently;

The Executive Director of WFP was granted authority to appoint all but the two most senior subordinates, enter into contracts, and certify WFP accounts, with sole responsibility in each of these matters;

The Committee on Food Aid Policies and Programs was specifically named the governing body of WFP; and

To permit wider representation of interested states, the Committee on Food Aid Policies and Programs was enlarged from 30 to 42 members--27 to come from developing nations and 15 from industrialized nations--with members partly named by the Food and Agriculture Organization Council and partly by the Economic and Social Council of the United Nations.

WFP has three types of projects--development projects, protracted refugee operations, and emergency operations. These projects are developed in conjunction with host countries. Development and protracted refugee projects usually require approval by WFP's governing board. WFP's Executive Director has the authority to approve projects with food allocations up to \$3 million. Development projects are generally approved for 3 to 5 years, protracted refugee operations are approved for 18-month periods, and emergency operations are approved for 1 year or less. All three project types are often extended for longer periods, and extensions generally require approval from WFP's governing board. However, because of their urgency, emergency operations costing over \$3 million are approved jointly by WFP's Executive Director and the Food and Agricultural Organization's Director General instead of by the governing board.

WFP's Executive Director is responsible for ensuring that projects to be implemented are sound, carefully planned, and directed toward valid objectives; ensuring the mobilization of the necessary technical and administrative skills; and assessing the ability of host countries to carry out the projects. The Executive Director is also responsible for ensuring that food and services are supplied as agreed to in the project agreements. The Executive Director is also charged with correcting (in consultation with the host government) any program inadequacies in project operations and may withdraw assistance in the event that essential corrections are not made.

WFP is responsible for providing food and monitoring its use in accordance with project agreements. WFP informs donors on how their donations were used through periodic project assessments, biennial reports by its external auditor, and annual reports covering commodity losses. Host governments or nongovernmental organizations are generally responsible for implementing projects and reporting to WFP on the commodities' uses.

For protracted refugee feeding operations, WFP shares responsibility

with the U.N. High Commissioner for Refugees (UNHCR) and host governments. UNHCR, in conjunction with the host government, determines who is a refugee; the decision as to who among the refugees requires food aid rests jointly with UNHCR, WFP, and the host government. UNHCR, through its implementing partners, distributes, monitors, and reports on food use to WFP.

WFP obtains food and funds for other expenses through voluntary pledges by donor countries. Contributions are made in the form of commodities, services (such as shipping and overland transport), and cash for operating expenses. WFP's goal is to obtain at least one-third of each country's contribution in cash and services; however, the United States provides commodities and pays for ocean transportation and some overland transportation. Pledging conferences are convened at 2-year intervals, when pledges for the following 2 years are made. Although donors may pledge to any of the three project types, most donors pledge only to development and protracted refugee projects, preferring to respond to WFP emergency appeals on a case-by-case basis.

OBJECTIVES, SCOPE, AND METHODOLOGY

----- Chapter 1:4

We reviewed the management of title II commodities provided to WFP at the request of the Chairman of the House Committee on Government Operations. Our objectives were to review (1) how AID ensures that accountability is maintained for U.S. donations to WFP and (2) U.S. responsiveness to WFP emergency food requests.

We performed work at AID, the State Department, and USDA in Washington, D.C.; USDA's Kansas City Commodity Office; and WFP headquarters in Rome. We visited overseas locations for five WFP projects, which we selected because they were among the largest recipients of title II donations in fiscal year 1991 and represented both development and protracted refugee operations.

The WFP projects we reviewed were

- a protracted refugee operation in Ethiopia: food assistance for Somali and Sudanese refugees and returnees from Somalia;
- a protracted refugee operation in the Liberia region: food assistance to Liberian and Sierra Leonean refugees and displaced persons in Liberia, Cote d'Ivoire, Guinea, and Sierra Leone;
- a development project in Pakistan: rural development works in the Northwest Frontier Province;
- a development project in India: supplementary nutrition for preschool children, pregnant women, and nursing mothers; and
- a protracted refugee operation in Pakistan: feeding of Afghan refugees in Pakistan.

For the Liberia regional project, we performed work in the

neighboring countries of Cote d'Ivoire and Guinea because security and administrative problems prohibited us from traveling in Liberia. We selected Cote d'Ivoire because (1) WFP manages the country operations there, (2) Cote d'Ivoire's port is the main entry point for commodities for the entire regional project, and (3) a large number of Liberian refugees are located there.

To evaluate the accountability systems used to control and account for title II donations to WFP, we reviewed AID and WFP accountability procedures in Washington, D.C., and WFP headquarters in Rome. We studied AID's overall accountability requirements for title II programs and AID requirements for the AID-WFP relationship and interviewed AID officials in Washington, D.C. At overseas locations, we interviewed officials from AID, WFP, UNHCR, the State Department, local and U.S. nongovernmental organizations, and the national and provincial host governments. We observed WFP operations and reviewed program documents, WFP commodity reports, audit reports submitted by host governments, and host government accounting documents. We also met with the staff of WFP's external auditor (the Comptroller and Auditor General of the United Kingdom) and with WFP's internal auditor. We did not evaluate UNHCR's methodology for determining refugee census information because it was outside the scope of this review.

To determine the reliability of WFP accounting reports, we made unannounced visits to WFP feeding operations, visited warehouses and ports, and compared actual quantities of U.S. stocks with recorded stock levels. We attempted to reconcile WFP reports with reports provided to WFP by its field monitors. To determine the amount of commodities distributed through fraudulent registration in Pakistan, we multiplied the authorized individual commodity ration by the number of registrations WFP and UNHCR officials believed to be fraudulent.

We were unable to identify the full amount of losses of U.S. commodities donated to WFP because (1) AID did not have individual loss reports on U.S. donations and (2) WFP consolidates reported losses from all of its projects into general loss reports, making it impossible to identify U.S.-specific losses. However, we did quantify some of the losses that occurred in the Pakistan and Afghanistan projects, and these losses were substantial. Although we were not able to quantify specific loss rates in Ethiopia because of the poor quality of data available, our work identified large losses that had been ongoing for years.

In conducting our work, we generally had access to WFP documents and project files, and WFP headquarters and field staff generally provided us with whatever information and assistance was requested. However, WFP officials denied us access to the organization's internal auditor reports because these reports were for the sole use of the Office of the Executive Director and were not releasable to donor governments or their agencies.

To determine how long U.S. agencies took to provide food in response to WFP emergency requests, we reviewed all title II donations to WFP emergency operations in fiscal year 1992. These included 11 separately approved donations to ten countries. We reviewed AID

documents to determine the length of AID's approval process. Two emergency donations were not included in the calculation of average approval times because, in one case, documentation of WFP's request date was not available from FFP and, in the second case, WFP did not request the donation. Data on procurement, loading, and discharge at the foreign port of the emergency commodities were obtained from AID, USDA, and WFP.

We did not evaluate the management of U.S. commodities donated to WFP by USDA through section 416(b) of the Agricultural Act of 1949 for two reasons. First, section 416(b) contributions to WFP had been insignificant in the past. Second, in July 1992, USDA officials told us that section 416(b) stocks were low and would not be available for WFP in 1993. In early 1993, USDA reversed its position and donated large quantities of food to WFP, but we did not review WFP management of USDA commodities because our audit work was substantially completed by that time. However, WFP uses the same accountability procedures for AID and USDA commodities. We conducted our review between April 1992 and June 1993 in accordance with generally accepted government auditing standards.

AID DID NOT ENSURE THAT ADEQUATE ACCOUNTABILITY WAS MAINTAINED FOR U.S. DONATIONS TO WFP

===== Chapter 2

WFP is exempt from the title II accountability requirements that govern AID's relationships with other program sponsors,^{\1} such as host government and nongovernmental organizations,^{\2} but AID did not follow its own regulations that govern its specific relationship with WFP. AID relied on inadequate WFP accountability and monitoring procedures to ensure proper management of U.S. donations. WFP's generally deficient monitoring practices and incomplete and inaccurate reports allowed massive losses to go unnoticed.

Distribution of commodities through WFP, particularly during emergencies, often occurs in difficult or volatile circumstances. These circumstances can make accounting for the distribution of food stocks significantly more difficult. Moreover, the limited number of WFP staff in-country requires that WFP place reliance on host government authorities to protect, distribute, and account for the deliveries of WFP food. Despite these difficult circumstances, we believe that WFP must provide necessary resources to ensure donor contributions are adequately protected and accounted for.

^{\1} According to Government Auditing Standards, developed by the Comptroller General of the United States, "accountability" is the process used to ensure that government (1) funds are handled in compliance with laws and regulations and (2) programs are achieving their intended purposes economically and efficiently. Public officials are responsible for establishing and maintaining an effective internal control system to ensure that resources are safeguarded; laws and regulations followed; and reliable data obtained and disclosed.

12 We recently examined AID's management of agricultural commodity assistance to foreign countries provided through private voluntary organizations, nongovernmental organizations, or directly to recipient countries under titles II and III of Public Law 480. See Food Aid: Management Improvements Are Needed to Achieve Program Objectives (GAO/NSIAD-93-168, July 23, 1993).

WFP IS EXEMPT FROM TITLE II REGULATIONS

----- Chapter 2:1

AID regulation 11 is intended to safeguard title II commodities, ensure proper accountability for their use, and provide AID the necessary information to determine whether U.S. donations are being used effectively. It requires all governments and nongovernmental organizations accepting title II food to (1) provide adequate storage, supervision, and internal controls to safeguard food; (2) conduct independent audits and internal control reviews that meet U.S. auditing standards or those approved by AID; (3) provide detailed reports to AID on program management and the amount of contributions lost to theft, waste, and abuse; and (4) provide for oversight by AID's Inspector General.

WFP is exempt from AID's title II accountability requirements because WFP is a U.N. agency. According to AID, the United States relies on the management, audit, and procurement policies and procedures of an international organization, such as WFP, when making contributions to it, and the Congress has endorsed this policy. Furthermore, AID officials stated that they believed that WFP had adequate management and accountability procedures to properly safeguard U.S. donations. Officials at AID, the State Department, and USDA said that once the United States gives food to WFP, the commodities belong to WFP and not to the United States. The officials noted that (1) the United States exercises oversight over WFP operations through its membership on WFP's governing board, and (2) they rely on and have confidence in WFP's accountability structures and auditing capacities to ensure proper commodity management.

We found, however, that none of the U.S. officials that we spoke with at AID, USDA, and State were familiar with WFP's accountability procedures or audit reports. These officials had participated on WFP's governing board or approved proposed WFP projects and were considered the most knowledgeable people in the U.S. government on U.S.-WFP management issues. While the U.S. officials strongly endorsed WFP and said they were not aware of any mismanagement, none of these officials had assessed WFP's accountability procedures, knew the loss rates for U.S. commodities, or were aware of the accountability problems cited in WFP audit reports. We found that even project officers, who oversee the daily management of title II donations, were unaware of the effectiveness of WFP's accountability procedures and related problems.

The AID Inspector General's position is that all organizations receiving title II commodities, including foreign nongovernmental organizations and provincial governments, should have the capacity to

properly account for the receipt and distribution of all commodities provided by the U.S. government. The AID Inspector General views title II assistance provided in foreign countries to be more vulnerable to waste and abuse than resources provided through our domestic assistance programs. Therefore, comprehensive audits of all organizations, including host and provincial governments and foreign nongovernmental organizations handling title II commodities, are necessary to enhance accountability in vulnerable areas.

AID Inspector General officials informed us, however, that the same accountability requirements that apply to host governments and nongovernmental organizations through U.S. bilateral assistance programs cannot always be applied to international organizations such as WFP, which receive donations from many countries. Nonetheless, this should not preclude the establishment of proper safeguards to the receipt, control, and distribution of title II commodities. If an organization is not capable of providing such safeguards, including adequate audit coverage, the AID Inspector General's position is that AID should look to other organizations to deliver American commodities.

AID DOES NOT COMPLY WITH ITS OWN GUIDANCE

----- Chapter 2:2

AID guidelines have established only a few requirements for AID oversight of donations to WFP. First, AID must ensure that WFP projects are technically sound and carefully planned. The U.S. delegation to WFP's governing body can do this by recommending improvements in WFP projects on the basis of AID's, USDA's, and State's analyses of the projects. Second, AID missions are expected to be aware of project mismanagement and report such matters to AID/Washington. We found that AID was not meeting either of these requirements.

U.S. DELEGATION IS NOT RAISING CRITICAL MANAGEMENT ISSUES

----- Chapter 2:2.1

The U.S. delegation to WFP's governing body, the Committee on Food Aid Policies and Programs, is headed by an AID official and includes officials from USDA and the Department of State. The governing body's Subcommittee on Projects evaluates proposed WFP projects for their approval by the Committee. WFP provides AID a summary of proposed projects 6 weeks before the meetings to allow AID time to evaluate the proposals and make recommendations at Subcommittee meetings for project improvements. The Committee approves an average of 12 to 15 projects at its semi-annual meetings.

AID believes the United States can have its greatest impact on WFP projects by recommending improvements during the Subcommittee approval process. AID is to share the WFP proposals with officials from USDA, the Department of State, and AID missions in the countries of the proposed projects and seek input for the U.S. position paper

on each proposed project. AID is to consolidate these comments prior to the Subcommittee meetings. During the Subcommittee meetings, WFP officials present each proposed project for suggested improvements by member delegations.

We found that AID officials did not seem to view their preparation for the Subcommittee on Projects as a priority. According to a senior AID official, AID officials often arrived at the meetings without the missions' analyses of WFP projects. In addition, AID officials did not coordinate their comments with the delegates from the State Department or USDA before arriving in Rome for the meetings. The official also said that there was no set format for the position papers and that the U.S. positions rarely consolidated AID, State, and USDA comments because comments were rarely received from more than one source. Of the five projects that we reviewed, which were approved between 1988 and 1992, we found no U.S. position papers in AID files in Washington, D.C. We found formal U.S. position papers in AID's Rome office for only the India development and Pakistan refugee projects. For the other three projects, we found a cable either from the mission, AID, or the Department of State, but no formal position paper that appeared to consolidate or formalize their positions.

We found that the U.S. delegation often did not raise serious commodity management problems for consideration during Subcommittee project renewal discussions. For example, during our review of WFP's protracted refugee operation in Ethiopia, which was extended for an 18-month period beginning July 1, 1992, U.S. mission officials in Ethiopia told us that neither the Ethiopian government nor WFP could adequately manage or monitor the project. The mission had previously reported widespread losses of donated food due to corruption and recommended that future U.S. donations be contingent upon increased monitoring of donated commodities.³

However, the mission did not raise these issues in its 1992 comments on the project, and the U.S. delegation did not raise them in the Subcommittee.

We found that when the U.S. delegation raised concerns about project proposals, WFP generally tried to incorporate its recommendations. In each case we reviewed, WFP had either incorporated the U.S. concerns or had valid reasons for not doing so. For example, in the one case we examined in which the U.S. delegation raised concerns about serious commodity mismanagement, WFP acted to stem theft of WFP donations. In that case, the U.S. delegation, at a December 1991 Subcommittee meeting, raised concerns that the Afghan protracted refugee operation census was fraudulently inflated--by as many as 300,000 people in one province alone. The delegation recommended that future support be conditioned on an accurate census. In 1992, WFP, the host government, and UNHCR negotiated a new refugee population figure and reduced the refugee census in the province from 720,000 to 450,000.

A knowledgeable senior AID official agreed that the U.S. delegation to WFP had not been effective at raising or resolving serious commodity management problems. However, he said that a primary function of AID's liaison office in Rome is to try to resolve

commodity management problems raised by the missions on a bilateral basis with WFP. He said these actions were not documented in cables and that these problems were rarely consolidated into U.S. position papers for the U.S. delegates to raise in the Subcommittee. Because these actions were not documented, we could not directly assess their effectiveness; however, we found that the missions were generally unaware of many of the serious commodity management problems that we identified. Furthermore, most of the project problems had been ongoing for several years without resolution.

\\3 This has been a long-standing problem in Ethiopia and was discussed in our report entitled Refugees: Living Conditions Are Marginal (GAO/NSIAD-91-258, Sept. 11, 1991).

MISSIONS DO NOT ADEQUATELY ANALYZE WFP PROPOSALS

----- Chapter 2:2.2

AID relies heavily on mission comments of WFP projects to develop its position papers for the Subcommittee on Projects. AID guidelines state that it is "particularly important" that AID missions report to headquarters promptly on the merits of WFP project proposals. Because ongoing WFP projects must be reapproved periodically, missions should have knowledge about local WFP operations and be aware of management or accountability problems needing resolution. According to these guidelines, the missions should evaluate, among other things, whether (1) the recipient government has the ability to manage the project and (2) WFP field staff has the capacity to monitor it.

We found that, although the missions often provided general comments on WFP proposals, the missions were generally not assessing whether WFP and the host governments could effectively monitor and manage the project. Each project that we reviewed was being considered for an extension and had been in operation for 3 years or longer. As a result, the AID missions should have been aware of any operational problems needing resolution. Only in the India project did the mission raise concerns about WFP and host government management capabilities. In the remaining four projects, the missions did not assess their management capabilities. For example, despite AID's knowledge of widespread management and monitoring problems in the Ethiopia refugee operation, U.S. mission officials there did not point out these problems in the mission's 1992 comments on the project. The mission supported approval of the project despite the problems.

FFP's former Acting Director stated that missions do not always provide comments on projects. An AID official who worked closely on WFP matters said that the missions' responses vary by mission and the priority each places on WFP matters. The official indicated that the lack of mission comments was a weak link in the U.S. process to ensure that WFP proposals were well designed.

MISSIONS' MONITORING OF WFP PROJECTS IS LIMITED

----- Chapter 2:2.3

AID missions have limited requirements for monitoring U.S. donations to WFP projects. AID regulations state that, although the missions have no responsibility concerning control, management, or accounting for any WFP project, they are expected to have a general knowledge of how the projects are functioning and develop a close working relationship with WFP representatives in the field. Missions are encouraged to be alert to any WFP program management shortcomings and to bring any instances of misuse of commodities to the attention of WFP representatives. If the matter cannot be resolved, AID/Washington should be notified.

For every project that we reviewed, except the Pakistan development project, the missions were performing monitoring functions through various means, including participation on WFP assessment missions, contacts with WFP officials, and occasional visits to WFP projects. In spite of this, missions were unaware of commodity management problems in three of the five projects we reviewed. For example, AID officials were not aware of the theft of over 700,000 workdays of food (totaling 2,200 tons of commodities) from the Pakistan development project.

WFP'S ACCOUNTABILITY PROCEDURES ARE INADEQUATE

----- Chapter 2:3

AID relies on WFP's accountability procedures to safeguard U.S. contributions. WFP, however, turns contributions over to recipient host governments and nongovernmental organizations without providing adequate guidance on how recipients are to account for, monitor, or report on the donations. In project agreements, WFP binds the host governments or nongovernmental organizations to only a few general requirements.

For development projects, host governments and nongovernmental organizations are obligated to (1) provide managers, accountants, guards, supervisors, and other necessary personnel to manage and administer the projects; (2) implement systems to monitor, report, and evaluate the movement of WFP donations; and (3) provide quarterly commodity use reports and annual audited reports. WFP procedures require that WFP monitor its implementing partners to ensure that commodities are properly used, but WFP's development manual provides few instructions for monitoring development projects.

For emergency and protracted refugee operations, host governments and nongovernmental organizations are responsible for (1) ensuring that commodities are properly received, handled, distributed to target beneficiaries, and accounted for; (2) monitoring and reporting food use to WFP; and (3) providing commodity reports every 6 months of the operation and a final audited report within 3 months of the final distribution. WFP is required to monitor deliveries of WFP-supplied food and observe its distribution. In addition, host countries are required to provide access to all ports, stores, transshipment

points, and distribution points to allow WFP officials to observe operations at all stages.

ACCOUNTABILITY FOR REFUGEE PROJECTS

----- Chapter 2:3.1

Since 1985, WFP has increased its reliance on UNHCR to distribute its food in refugee operations. An agreement between WFP and UNHCR that became effective January 1, 1992, assigned WFP responsibility for mobilizing all basic food commodities (including salt, sugar, and processed foods) as well as the necessary cash resources for milling, ocean transport, internal transport, storage, and handling to inland storage points for all major UNHCR refugee operations. (UNHCR had been, and remained, responsible for providing other food items and condiments as needed.) UNHCR and the host government are responsible for arranging for final food distribution and monitoring at the refugee camps. However, WFP remained responsible for monitoring, on a spot-check basis, storage and handling conditions and observing the final food distribution whenever possible. UNHCR was supposed to coordinate with local WFP offices to provide information on food stocks, requirements, and losses. However, the WFP-UNHCR agreement did not provide specific guidance on how UNHCR should account for, monitor, and report on its use of WFP food donations.

In commenting on a draft of this report, WFP stated that during the past year, it had become obvious that the additional responsibilities resulting from the January 1992 arrangement with UNHCR had placed a significant workload burden on WFP staff and its infrastructure. WFP said that it had completed negotiating a new Memorandum of Understanding with UNHCR to address concerns about (1) the determination and registration of accurate refugee beneficiary numbers and (2) the consequences of that process that results in a lack of proper monitoring and accountability in the subsequent distribution. WFP said that UNHCR remains responsible for refugee registration but that this must now be the result of a joint assessment conducted by WFP, UNHCR, and either the host country or the implementing partner. According to WFP, it insisted on this role in the process because it believes accurate caseload figures are essential for maintaining credibility with donor countries.

WFP stated that the new agreement enumerates the clear-cut responsibilities between UNHCR and WFP in the joint implementation of refugee feeding operations. Whereas WFP will be responsible for resource mobilization, external transport, and in-country delivery of all food to the extended delivery points, UNHCR will be responsible for actually arranging food distribution to the targeted beneficiaries at the refugee camps or distribution sites. UNHCR will remain responsible for the final distribution and monitoring of all supplies (e.g., tents, medicines, blankets, tools, etc.) and will also assume the same responsibilities for food beyond the extended delivery points. In most cases, UNHCR makes these distribution arrangements through either an implementing partner or a government agency. The designation of this distribution agent will continue to be jointly decided by the government and UNHCR in consultation with WFP.

According to WFP, UNHCR will be responsible for implementing an adequate reporting and monitoring system for refugee feeding operations and will report to WFP on the distribution of food. WFP, in turn, will account to donors for the food received.

INEFFECTIVE ACCOUNTABILITY

----- Chapter 2:3.2

On the basis of our review of WFP's accountability procedures and WFP's performance in safeguarding U.S. donations in five projects, we believe that WFP's accountability procedures have not been effective in ensuring that (1) donor contributions reach their intended recipients and are properly safeguarded and accounted for and (2) use and loss rates for donated commodities were identified and reported to donors. We found that WFP's accountability requirements were vague and did not provide sufficient mechanisms for ensuring that donations were properly safeguarded. Moreover, in almost no instance was WFP meeting its stated requirement to observe actual commodity distributions to beneficiaries. Because WFP provided scant instructions for field monitoring, WFP monitoring varied from effective to nonexistent. As a result, WFP was unable to identify or halt the continuing theft of commodities in some of the projects we examined.

WFP's insufficient accountability requirements allowed governments and nongovernmental organizations to apply their own procedures to safeguard WFP donations. As a result, each project had differing accountability controls, and the ability of each one to safeguard WFP donations ranged from effective to non-effective. Although two projects had effective accountability systems, the systems were primarily developed and executed by host governments and nongovernmental organizations and were not the results of WFP procedures. In India, WFP relied upon the accountability procedures established by the government of India. We found that the system effectively controlled commodities, reduced the likelihood of theft, and provided reasonable assurance that commodities were used as intended. In the Cote d'Ivoire segment of the Liberian refugee project, WFP relied on the Red Cross to distribute and account for its donations. The Red Cross accountability system was designed by the League of Red Cross/Red Crescent Societies. WFP monitoring provided good control over the commodities and resulted in losses of less than 1 percent of all donations. The Red Cross's ability to safeguard WFP donations was especially notable given the civil strife in the region.

In the remaining three projects, however, WFP reliance on deficient host government systems allowed massive losses of donor contributions through theft and mismanagement. In Ethiopia, WFP performed no monitoring for years, although it knew the government was corrupt and theft and mismanagement of WFP commodities was rampant. In the Afghanistan refugee project and the Pakistan development project, WFP monitoring identified many examples of commodity mismanagement, but WFP was generally unable to take corrective actions to halt losses and improve project management. In the Afghanistan refugee project, WFP continued to provide food based on an inflated census until 1992,

even though, as early as 1981, it suspected the census was inflated. Since 1987, WFP has provided approximately 204,120 metric tons of wheat and edible oil, worth almost \$35 million, to people holding fraudulent passbooks. The United States donated 40 percent of all wheat donations and provided most of the oil during this period.

Further information on our project findings is in appendix I.

WFP REPORTING IS INCOMPLETE AND INACCURATE

----- Chapter 2:3.3

WFP provides commodity loss reports to donors annually at Committee on Food Aid Policies and Programs meetings. The loss reports, developed by the Office of the Executive Director, provide consolidated loss figures for the three program types. Although WFP collects loss information on a project-by-project basis, project-specific data are not provided to donors. The annual loss reports do not identify the project or country where the losses occurred.

The April 1993 commodity report stated that WFP losses from October 1, 1991, to September 30, 1992, totaled 1.7 percent of the value of the commodities handled. The breakdown by project type was 1.1 percent for development projects, 1.3 percent for protracted refugee operations, and 6.8 percent for emergency operations. According to the report, civil strife accounted for almost one-third of WFP's total losses, with 90 percent of the losses taking place in war-torn Somalia.

We found that WFP loss reports did not accurately reflect commodity losses for three of the five projects we examined and that losses were actually much higher than reported to donors. For example, the commodity reports to WFP headquarters in Rome from the Ethiopia and Afghanistan refugee projects did not count as losses commodities for the 670,000 people that obtained commodities fraudulently. Moreover, the loss reports provided to WFP officials by the government of Ethiopia were so unreliable that the officials did not forward them to WFP headquarters. We could not determine how WFP derived loss rates for Ethiopia, as WFP/Ethiopia did no project monitoring during the period.

WFP headquarters officials could not verify the accuracy of the loss rates reported by their country representatives. The WFP official who consolidates country loss reports did not know how the loss reports were compiled in-country or how accurate they were. Another WFP official questioned the reports' accuracy because the loss rates reported to donors were so low. A WFP-Rome official with experience in WFP operations in Africa said that loss reports from Ethiopia and Somalia were unrealistically low but that minimum losses were reported to Rome only to satisfy a paper requirement, not because anyone really cared. A WFP official in the Office of the Executive Director acknowledged that he was unsure of the accuracy of WFP reports to donors.

In commenting on this report, WFP stated that under its current

procedures, WFP only reports losses to the Committee on Food Aid Policies and Programs that WFP can assess and quantify precisely. As a result, losses reported to donors are only those officially reported by governments. Losses in the Ethiopia, Pakistan, and Afghanistan projects were presumably not officially reported by the governments. WFP agreed that it needs to tighten its procedures as well as review all legal documents between entities for consistency and responsibility.

WFP PROJECT ASSESSMENTS HAVE NOT DISCUSSED MANAGEMENT PROBLEMS

----- Chapter 2:4

WFP conducts periodic assessments of its projects. For development projects, these assessments, called evaluation-cum-appraisals, are conducted whenever an extension of a project is proposed. The assessments are intended to focus on, among other things, critical issues and operational problems in implementing the project. WFP also conducts less comprehensive assessments of some emergency programs, called food assessment missions, which focus on refugee estimates and their food requirements. These assessments are made in conjunction with UNHCR. Both types of assessments are provided to the Subcommittee on Projects and the full governing body for consideration prior to approving requests to extend projects.

According to WFP officials, WFP assessments generally do not report on problems associated with inadequate accountability, monitoring, or reporting. A WFP official in charge of evaluation-cum-appraisals said that WFP had never conducted a formal evaluation of an emergency program because the Executive Director had not authorized such an assessment.¹⁴ Although WFP does perform limited food assessment missions on emergency programs, these have concentrated on refugee numbers and feeding requirements rather than management issues.

In theory, WFP assessments could provide donors information necessary to evaluate the overall management of WFP projects. However, the assessments WFP provided for donors prior to approving extensions of the projects in Ethiopia, Afghanistan, and Pakistan did not include the operational problems that we identified, even though WFP officials in charge of each program were aware of them. Without this information, donors may not be able to make informed decisions about whether to approve project extensions.

¹⁴ According to WFP, subsequent to the completion of our field work, the new Executive Director instructed the WFP evaluation service to carry out a formal evaluation of the southern Africa emergency.

WFP AUDIT REPORTS DOCUMENT ACCOUNTABILITY PROBLEMS

----- Chapter 2:5

Audits of WFP activities are performed by WFP's external auditor (the

Comptroller and Auditor General of the United Kingdom) and WFP's internal auditor. The external auditor, which reports primarily on WFP's financial accounts but also conducts reviews of WFP programs, reports biennially to WFP's governing board. The internal auditor reports directly to the Office of the Executive Director. We found that WFP has not corrected many of the accountability problems cited by its auditors.

Both external and internal auditors have reported accountability problems to WFP. The external audit reports that we examined, covering 1983 to 1991, made numerous recommendations aimed at improving WFP's accountability procedures. The audit reports also state that WFP had not fully implemented many of the external auditor's earlier recommendations. According to an external audit official, WFP has no mechanism to ensure that external audit recommendations are implemented, and WFP did not act on many of the audit recommendations in the past.

According to the staff of WFP's external auditor, WFP internal audit reports also contained recommendations to improve WFP's accountability procedures. The external auditor's 1991 report noted that of the internal auditor's 100 recommendations made in 1989, 39 centered around the need to improve WFP's accountability procedures. The external auditor reported that many of these recommendations complemented the external auditor's findings and, if fully implemented, should lead to improvements in accountability controls.

According to an official with the Office of the Executive Director, the internal auditor's recommendations were often not implemented. Neither WFP's governing body nor donor countries know what recommendations have been made by the internal auditor or how WFP has responded to them because the reports were not made available to them.

Under the AID-WFP agreement, AID can request that its Inspector General audit WFP projects if WFP fails to provide adequate accountability for U.S. contributions. The agreement between AID and WFP governing the transfer of title II commodities requires WFP to (1) supervise and control the program in the country of distribution, (2) determine that the recipients to whom they distribute the commodities are eligible, (3) avoid losses due to improper actions, and (4) maintain adequate records to determine if the commodities are properly used. The agreement states that, upon its request, the U.S. government shall be given access to and the right to examine WFP records. Further, should the U.S. government find at any time that WFP reports to the Committee on Food Aid Policies and Programs are inadequate, WFP shall provide additional information related to its handling and disposition of the commodities. If the U.S. government believes additional information or an audit of the program is needed, the agreement provides that the U.S. government may seek WFP's concurrence in the implementation of the required action by either WFP or U.S. government personnel. To date, AID has not requested that its auditors audit WFP records.

CONCLUSIONS

AID is legislatively responsible for managing and accounting for Public Law 480, title II, commodities. AID has relied on WFP to safeguard U.S. donations without ensuring that WFP's accountability procedures are sound. According to AID officials, AID has no responsibility to monitor WFP's projects because WFP is a U.N. agency. Further, these officials said that once food is provided to WFP, it becomes WFP's responsibility.

We believe that although WFP is an international organization and is exempt from AID's accountability regulations, AID has a fiduciary responsibility to protect U.S. government resources by ensuring that proper accountability for U.S.-provided assistance is maintained. This responsibility is recognized in AID's title II agreement with WFP that gives AID the right to examine WFP records and seek a U.S. audit of the program. Furthermore, AID's regulation requires AID missions to be alert to WFP project mismanagement and resolve management problems through either WFP or AID. Because AID did not follow its own procedures or satisfy itself that WFP was capable of proper accountability (1) massive commodity losses--including losses of U.S. donations--occurred and (2) donated commodities have not been adequately monitored or reported on. Because WFP's commodity utilization and loss reports were incomplete and inaccurate, AID cannot fully account for the more than \$370 million in commodities and related transportation that the United States provided to WFP in fiscal year 1992.

For years, WFP's external and internal audit reports have recommended improvements in WFP's accountability, monitoring, and reporting procedures. However, WFP has not implemented many of these recommendations, and WFP's governing body has not established mechanisms for ensuring that audit recommendations, from either the external or internal audit reports, are addressed. WFP has also not met its agreement with the United States to (1) effectively control its projects, (2) ensure that only eligible recipients receive U.S. donations, (3) avoid losses, and (4) maintain adequate records. It was presumably for these reasons that AID's title II agreement with WFP gave AID the right to seek an audit of WFP projects with substantial U.S. donations and indications of commodity mismanagement.

RECOMMENDATIONS

----- Chapter 2:7

We recommend that the Administrator of AID and the Secretary of State direct the head of the U.S. delegation to WFP's Committee on Food Aid Policies and Programs to work with other delegations and WFP's Executive Director to (1) develop effective procedures with strong internal controls for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies; and (4) require annual reports to the Committee on the status of principal external and internal audit findings and recommendations affecting the program.

To strengthen the U.S. delegation's ability to assist WFP in establishing more effective accountability procedures, we also recommend that the Administrator of AID

require missions to fulfill their requirements to periodically assess and report on host government and WFP capabilities to manage and monitor WFP projects, and

require that the U.S. delegation to WFP develop comprehensive position papers on WFP project proposals, including comments on host government and WFP capabilities, to ensure adequate accountability practices for presentation and consideration at the Subcommittee on Projects.

AGENCY COMMENTS AND OUR EVALUATION

----- Chapter 2:8

AID COMMENTS

----- Chapter 2:8.1

AID did not disagree with our specific findings or recommendations for improved accountability for U.S. donations. However, AID contended in its comments (reprinted in app. II) that (1) since the United States relies on the management, audit, and accountability policies and procedures of international organizations when making contributions to them, it is not responsible for ensuring that U.S. contributions are properly managed and not wasted; (2) management problems at WFP and losses of commodities were not as severe as we portrayed; and (3) even if some losses did occur, we did not sufficiently appreciate the management challenge WFP confronted in a difficult and sometimes hostile operating environment.

We recognize that the United States, by agreement, relies on the management and audit capability of international organizations to appropriately use and safeguard U.S. contributions. However, this does not relieve U.S. government agencies such as AID from their fundamental responsibility to protect U.S. government funds. In the case of WFP, AID could have protected U.S. funds by (1) ensuring that WFP had the capability and systems to properly manage and safeguard U.S. donations before donations were made, which it did not do, or (2) finding other means to provide the assistance, such as through private voluntary organizations.

AID particularly objected to our characterization of its role and responsibility for ensuring that U.S. government resources were not lost, stolen, or otherwise misused. However, the record clearly shows that AID officials (1) were almost totally unaware of WFP's accountability problems and (2) when they were aware of them did little if anything to get these problems resolved.

We did not overstate the severity of WFP's management problems or the losses that occurred. Commenting on this report, WFP itself acknowledged that it had not dealt with many of the management, administrative, and accounting issues as effectively as it could

have. However, it is not surprising that AID would minimize WFP's management and accountability problems given AID officials' lack of knowledge about WFP accountability procedures, the accuracy or reliability of WFP loss reports, or the contents of WFP audit reports. AID said that we should "be more cautious in asserting claims of losses" and charged that we were "speculating on the magnitude of losses." The losses cited in our report are not speculation. We confirmed losses of over 200,000 metric tons in the Pakistan and Afghanistan projects. We also identified significant loss rates above this level that we were unable to quantify; however, we did not include those losses that could not be quantified in our loss figures.

We fully appreciate the difficult challenge WFP continues to face in meeting emergency and development needs; however, even WFP acknowledges that this cannot be held out as an excuse for having inadequate systems to ensure accountability.

WFP COMMENTS

----- Chapter 2:8.2

WFP agreed with our findings and observations; however, unlike AID, WFP's comments (reprinted in app. III) presented a positive and detailed statement on actions WFP has already taken and intends to take to address the accountability and reporting issues we raised. These steps, approved in WFP's 1994 budget, included

- improving financial management capabilities in field offices, including the installation of a Field Controller system and the hiring of dedicated financial officers in the field;

- increasing resources for accountability functions in headquarters, including doubling the number of internal auditors and placing greater emphasis on commodity control and accountability;

- increasing headquarter's Financial and Information Systems functions to enable Country Offices to carry out these accountability functions;

- decentralizing the budget system where managers will be responsible and accountable for managing their resources; and

- strengthening WFP's capacity for monitoring in all WFP emergency programs and introducing emergency training to implement efficient delivery systems for relief operations.

In addition, WFP stated that its Evaluation Division and Internal Audit unit would begin reporting directly to the Office of the Executive Director, who approves the unit's work plans concerning projects and countries to be audited. For the first time, WFP emergency and protracted refugee operations are being evaluated by the Evaluation Division. The Internal Audit unit will now include assessments of management issues as a standard part of its inquiry. The Evaluation Division is also conducting a one-time review of WFP's entire development portfolio to recommend the elimination of projects, if necessary.

In commenting on our report, the WFP Executive Director raised an issue not discussed in our report because it was outside of the scope of our review. Nevertheless, we believe it is an important issue that needs to be considered. According to WFP's Executive Director, WFP's ability to resolve many of the problems identified in our study are hindered by a shortage of operating funds. During the past 4 years, WFP's annual operating budget has not increased, while its assistance to emergency and protracted refugee operations has doubled. She pointed out that WFP's operating expenses from 1988 to 1992 have averaged \$80 million while WFP's total expenditures have averaged \$1.3 billion. WFP receives mostly food and cash to transport food from donors. WFP receives no cash contributions from the United Nations, and the major donors (including the United States) are not contributing sufficient funds to cover necessary operating expenses. The United States has provided WFP only \$1 million to \$2 million annually to cover WFP's operating expenses. As a result of these constraints, WFP said that its operating budget is severely constrained.

We discussed this matter with AID officials who agreed that the United States should provide additional funding for operating expenses to safeguard U.S. commodities; however, so far this has not been possible. According to AID officials, the U.S. policy is to provide only food and transportation costs. According to the State Department, the U.S. position has been that other donors should contribute cash for WFP's administrative costs. However, other donors' cash contributions have not kept pace with WFP's rapid increase in emergency operations. AID acknowledged that its policy on this matter may have a negative affect on WFP's ability to closely monitor the rapid expansion of the program.

THE UNITED STATES DOES NOT ALWAYS RESPOND QUICKLY TO WFP EMERGENCIES, BUT THE IMPACT HAS BEEN MINIMAL

===== Chapter 3

The United States has responded quickly to some WFP food requests for overseas emergencies but often has responded slowly to such requests. On average, U.S. donations to WFP emergency operations in fiscal year 1992 arrived almost 8 months after WFP's initial request for food aid. The slow U.S. responses were due to AID and USDA's treating some emergency requests as nonemergencies. AID did not give priority to many of the requests, and USDA's procurement and shipping procedures are generally the same for emergency and nonemergency requests. WFP has been able to accommodate slow U.S. responses by using other stocks until U.S. donations arrive. We found no cases in which slow U.S. responses caused victims of emergencies to go without food.

AID'S REVIEW OF EMERGENCY REQUESTS

----- Chapter 3:1

WFP provides food aid to both sudden- and slow-onset emergencies throughout the world, including natural disasters, droughts, and the early stages of situations involving refugees or displaced persons. When an emergency occurs and a foreign government requests assistance, WFP helps to assess the extent of need for food aid, design a response, and solicit donor nations for contributions. It sends requests for title II food aid to AID.

Because the United States does not pledge to WFP emergency operations in advance, each WFP emergency request is reviewed and approved separately by AID. During AID's review of the request, FFP officials consider (1) the legitimacy of need, (2) the appropriate level of U.S. response, (3) the appropriate type(s) of food, (4) the adequacy of administrative and logistical structures, and (5) the participation of other donors and the host government. Finally, FFP officials determine whether food aid or funding that has already been committed by AID could be applied to the emergency. In reviewing emergency requests, FFP solicits the views of other AID offices, including overseas missions, regional bureaus, and the Office of Foreign Disaster Assistance. In some cases, AID may also consult with the State Department, USDA, or other U.S. agencies.

FFP must also find and commit title II funds for the donation. When food aid programs are competing for resources, FFP must prioritize the requests and decide which ones to fund. FFP gives funding for emergency requests priority over other new food requests, but funds are limited by commitments to ongoing emergency and development projects. Another constraint is that Public Law 480 requires about 75 percent of title II food aid to go to nonemergency programs. FFP officials said that when emergency needs are high and title II funds are limited, they may try to transfer funds from titles I or III of Public Law 480, reprogram title II funds committed to sponsors who will not use all of them, or ask USDA to consider providing section 416(b) commodities.

EMERGENCY DONATIONS USUALLY ARRIVED LATE

----- Chapter 3:2

The United States donated 156,916 metric tons of commodities to ten countries through WFP emergency operations in fiscal year 1992, with a combined commodity and shipping value of \$54.4 million. For these emergency donations, we found that, on average, the commodities arrived overseas almost 8 months after WFP's request. The fastest U.S. response took slightly over 3 months and the slowest, more than 11 months (see fig. 3.1). These response times include the time for AID to approve the donation and submit an order for commodities to USDA and for USDA to procure the commodities and ship them to the foreign port.

Figure 3.1: U.S. Response
Time for Donations to WFP
Emergency Operations in Fiscal
Year 1992

(See figure in printed edition.)

\a Countries listed more than once received more than one shipment.

\b Time for approval of Afghanistan request is estimated.

\c There was no WFP request (and, therefore, no approval period) for the Malawi donation.

\d No procurement was needed for the Mozambique shipment.

Source: GAO analysis of AID, USDA, and WFP data.

AID LACKS A SYSTEM TO EXPEDITE EMERGENCY REQUESTS

----- Chapter 3:3

Approving emergency and nonemergency food aid programs in a timely fashion has been a persistent problem for AID. In 1986, we reported that approvals for a limited sample of emergency requests to alleviate a drought in Africa took, on average, about 2 months in 1984 and 21 days in 1985. These approval times contributed to slow arrivals of food during the rainy season.\1 (WFP was not necessarily the program sponsor for these requests.) Recently, we reported that FFP does not ensure compliance with a legislated requirement that it approve or deny food aid proposals from private voluntary organizations within 45 days.\2

We found that, on average, AID took about 3-1/2 months to approve WFP requests for emergency food in fiscal year 1992. This includes the time from WFP's submission of a food request to AID to the finalization of the donation agreement between AID and WFP. Approvals for individual requests ranged from 5 weeks to nearly 7 months. In most of these cases, FFP speeded up the delivery of food aid by submitting the commodity order to USDA before the agreement was completed. Nevertheless, it took nearly 3 months (on average) from the time of WFP's request until the food was ordered. FFP's Director agreed that some of these approval times were too long. He said that a recent reorganization of FFP into emergency and nonemergency divisions may help to improve the timeliness of AID's response to emergency requests.

We found that FFP lacked a system to expedite the review of emergency requests, and no single individual was responsible for ensuring that WFP requests were responded to promptly. In addition, FFP did not formally prioritize the review of emergency requests, which may have contributed to slow approvals. Although FFP has a database to help it manage information about requested and approved food aid donations, FFP does not require that it be used to log in emergency requests or track their progress toward approval or denial.\3 FFP officers who are responsible for handling the requests told us that WFP emergency requests can get "lost in the shuffle" of the FFP workload, particularly if they are not perceived as high-priority programs. We also noted that some FFP divisions used different procedures to obtain management approval for donations. FFP

officials said that other factors can also slow AID's approvals, including slow responses by AID missions to FFP requests for information about WFP proposals, difficulty in identifying adequate uncommitted title II funds to finance donations, and AID ambivalence about specific emergency programs.

In a few cases, AID approved WFP requests quickly, but these were highly visible and of strong interest to the United States. For example, during the Gulf War, AID approved a request for additional food aid for refugees in 5 weeks. AID also responded to the 1992 regional drought in southern Africa before other donors did, including WFP. In that case, the FFP officer alerted the AID Administrator of the need for food relief early on, and AID acted quickly by sending a shipment of corn to Africa before a definite program sponsor was identified. While the shipment was en route, AID made an agreement with WFP to handle the commodities, which were used in Malawi. Because the cargo was a bulk commodity, which could be procured and loaded quickly, the shipment arrived at the foreign port only 6 weeks after it was initially approved and ordered. Another donation to mitigate the drought in Mozambique was approved in 5 weeks.

More typical, however, are examples of AID's taking several months to approve an emergency donation. A WFP request for a U.S. donation of 40 metric tons of corn-soya milk to support Bhutanese refugees in Nepal took about 4-1/2 months to approve. According to the FFP officer responsible for the approval, this was caused by the small size of the request, the low priority of the program to AID, and the officer's heavy workload. The commodities arrived at the foreign port 11-1/2 months after they were requested. In another case, AID took 7 months to approve a WFP request for emergency food for displaced persons and refugees in Angola, although the food was ordered 10 weeks before the final approval. According to the responsible FFP officer, the donation was not considered urgent, and FFP placed a higher priority on meeting emergency needs elsewhere. There was also uncertainty about whether the State Department would pay internal transport costs. The commodities arrived at the foreign port 10 months after they were requested. For both the Nepal and Angola operations, AID knew that WFP could respond to the emergency with stocks available in country until U.S. donations arrived.

\\1 Famine in Africa: Improving U.S. Response Time for Emergency Relief
(GAO/NSIAD-86-56, Apr. 3, 1986).

\\2 Food Aid: Management Improvements Are Needed to Achieve Program Objectives (GAO/NSIAD-93-168, July 23, 1993).

\\3 For example, FFP could not tell us how many WFP emergency requests had been denied during fiscal year 1992. FFP did not have this information because it did not have a system to identify or track emergency requests.

PROCUREMENT AND SHIPPING TOOK

AN AVERAGE OF 5 MONTHS

----- Chapter 3:4

Besides approval, the other major component of responding to emergency food requests involves buying, processing, and shipping the food. We found that once AID approved WFP's request, USDA took, on average,

5 months to buy and ship the food overseas. USDA officials said this amount of time was typical for title II shipments, as they would expect the cargo to reach the foreign port 90 to 120 days after receiving the order from AID under the best circumstances. The amount of time needed to transport the commodities inland to a warehouse or distribution site is not included in this figure. A WFP official said that unloading and inland transportation might take from 1 to several additional weeks.

USDA treats an order for an emergency program the same as a nonemergency order unless AID asks for it to be expedited. Once a month, USDA purchases processed commodities for all title II program requests.¹⁴ According to USDA officials, the standard procurement schedule for processed commodities allots about 1 month for USDA to review commodity orders, prepare and distribute an invitation for bids, and make contract awards; 1 to 2 months for suppliers to manufacture the products and ship them to the loading port; and 1 month, more or less, depending on the destination, for ocean transportation.

Procurement and shipping times for WFP requests included in our review were generally in line with USDA's standard time frame, although preparing the food for shipping took somewhat longer than USDA indicated was typical. The average time from receiving the order to awarding the commodity contract was 27 days, from procurement to loading the vessel was 79 days, and from loading to discharge at the foreign port was 50 days. There was considerable variation in the period between procurement and loading, with a range of 7 days (for a bulk shipment) to 139 days. Part of the variation occurred because bulk grains can be purchased and loaded much more quickly than processed commodities. USDA officials also said that, while commodity suppliers are usually prompt in delivering food to the U.S. port, ships are often late in picking it up, thus delaying delivery overseas.

¹⁴ Processed commodities are refined, fortified, or bagged; examples are vegetable oil, cornmeal, and bagged beans. Whole, unbagged grains are not considered processed commodities.

EMERGENCY RESPONSE TIME COULD BE IMPROVED

----- Chapter 3:5

We discussed several ways to speed up the delivery of food aid with officials at AID and USDA's Kansas City Commodity Office, which procures commodities for foreign and domestic food aid programs. These methods include pledging in advance to WFP's emergency

operations, making special purchases outside of the standard procurement schedule, purchasing bulk grains instead of processed commodities, prepurchasing commodities for an evolving emergency before a definite request is received from a program sponsor, and waiving legal requirements to purchase commodities in the United States and to use U.S.-flag vessels in order to purchase food overseas for emergencies. According to the officials, some of the mechanisms (such as special purchases) are already used occasionally in emergency situations, and other methods have serious drawbacks. Generally, the USDA officials believed that USDA's procurement system is efficient and that timeliness could be improved very little within reasonable cost.

Special procurements are used occasionally by AID to hasten emergency shipments. According to a USDA official, a special procurement with an abbreviated bidding process and tighter time requirements for the supplier can cut about 1 month off the standard procurement schedule, although the commodity price may be higher than usual. It is AID's responsibility to request expedited handling by USDA for emergencies. However, AID did not request a special purchase for any of the emergency donations we reviewed.

WFP has created two mechanisms to encourage donors to pledge commodities or funds before emergencies occur: (1) the Immediate Response Account for cash donations, which are used to pay for local food purchases and transport costs during the initial response to emergencies, and (2) the International Emergency Food Reserve for commodities. Commodity pledges made in advance without restrictions could be called upon at any time by WFP, potentially speeding donor response to emergencies if donors were to forego an extensive review of WFP's plans.

AID does not pledge to either emergency account. According to FFP officials, AID does not contribute to the Immediate Response Account because Public Law 480 funds are generally intended for U.S. commodities and ocean transportation, not cash donations. FFP officials said AID does not pledge food in advance to the International Emergency Food Reserve because the agency wants to retain flexibility in deciding how to respond to emergencies. In some situations, AID prefers to work through nongovernmental organizations or governments rather than through WFP. According to WFP officials, most other donors have also chosen to donate to WFP emergency operations on an ad hoc basis, instead of pledging.

A 1992 AID-funded study of the U.S. management of food aid programs for refugees and displaced persons found that the pledging and donation process hampered WFP's capacity to respond quickly and flexibly to rapidly developing emergency situations.⁵ The study noted that WFP's difficulties in providing food for refugee situations included (1) donors' reluctance to make firm advance pledges, (2) the slow process of approaching donors one by one until needs are met, (3) the difficulty of matching commodity availability from donors with nutritional needs, (4) donors' reluctance to provide funds for internal shipping and handling costs and overhead costs, and (5) donor restrictions on the use of commodities.

FFP's Director suggested that pledging a small percentage of title II

commodities to the Emergency Food Reserve would be a first step in improving U.S. responsiveness to WFP emergency requests. He said AID always contributes a large amount to WFP emergency operations, even though it does not pledge to them. In his view, a small pledge could be made on a test basis to see if this would help WFP plan its emergency programs. Pledging would also eliminate the possible need for FFP to transfer or reprogram funds for the operations that the pledge supports.

\\5 Stark Biddle and Steve Hansch, A Management Assessment of U.S. Government Emergency Feeding Programs for Refugees and Displaced Persons (Datex, Inc., Oct. 1992).

WFP ACCOMMODATES SLOW U.S. RESPONSE BY USING OTHER STOCKS

----- Chapter 3:6

Despite the slow U.S. response to WFP emergency requests, we found no evidence that emergency victims suffer from slow delivery of U.S. food aid. Although some WFP officials complained that the United States is slower in providing food aid than other donors, they told us that they have become accustomed to the slow response and have been able to accommodate for it by diverting ships with WFP cargo originally committed to other projects or by borrowing food supplies. According to WFP's annual report, over half of WFP's emergency operations approved in 1992 were started with food borrowed from government stocks or WFP development project stocks already in the country. WFP is able to do this on a regular basis because of its large portfolio of development programs and the large number of vessels carrying WFP cargo at any one time. WFP officials said these actions minimize the impact of slow deliveries on food aid recipients, but they result in higher costs for WFP.

CONCLUSIONS

----- Chapter 3:7

The United States is frequently slow in responding to emergency food requests from WFP. AID and USDA share responsibility for the U.S. response because AID must review and approve WFP emergency requests and USDA must procure and transport the commodities. AID approved WFP requests quickly when the emergencies were a high AID priority. However, AID did not systematically review and expedite all WFP emergency requests, taking 3 months, on average, to process and approve the requests. While we recognize AID's responsibility to assess emergency requests, we believe it should develop a procedure for expediting the review process. AID could also help WFP plan and respond quickly to emergencies by pledging a small amount to the International Emergency Food Reserve.

USDA took 5 months, on average, to procure and ship emergency donations once they were approved by AID. We found that USDA's procurement and shipping procedures were generally the same for emergency and nonemergency requests. However, given the complexities

of providing commodities, which requires nationwide procurement, commodity processing, U.S. transport, and overseas shipping, USDA's procurement schedule appears fairly efficient. Although USDA could save about a month by following expedited procedures, which might also increase the costs of the commodities, these procedures were not requested in the cases we reviewed because AID officials did not believe they were necessary.

RECOMMENDATIONS

----- Chapter 3:8

To improve U.S. responsiveness to WFP emergency operations, we recommend that the Administrator of AID

establish a system to expedite the approval of WFP requests for emergency food aid and

on a test basis, pledge a limited amount of title II commodities to WFP's International Emergency Food Reserve.

AGENCY COMMENTS

----- Chapter 3:9

AID stated that our recommendations concerning an early contribution to WFP's International Emergency Food Reserve, although a change in long-standing U.S. policy, deserves consideration. According to AID, the State Department's Bureau of Refugee Programs has proposed development of new blended foods that have extended shelf lives and can be stockpiled. AID also agrees that this proposal should be pursued.

GAO FINDINGS ON WORLD FOOD PROGRAM PROJECTS

===== Appendix I

During our review, we evaluated five World Food Program (WFP) refugee operations and development projects in four countries--Ethiopia, Pakistan, Liberia, and India. We selected these projects because they represented a mix of WFP activities in different situations and locations and because they were among the largest recipients of U.S. title II donations in fiscal year 1991. Our reviews focused on WFP's project accountability procedures, including host country responsibilities and activities; WFP's project monitoring activities; and WFP and host country commodity reporting practices. Descriptions of the projects and our findings are discussed below.

ETHIOPIA REFUGEE OPERATION

----- Appendix I:1

WFP's Protracted Refugee Operation (Project 4856) is a continuation of WFP emergency and protracted refugee operations in effect in Ethiopia since 1987. The latest extension was approved by WFP's Committee on Food Aid Policies and Programs for an 18-month period

beginning July 1, 1992, at a cost of \$188 million. WFP planned to provide 176,000 metric tons of food (about 71 percent of the total amount needed for the project) at a cost of over \$84 million. The United States contributed \$21.8 million in fiscal year 1991 and \$11.7 million in fiscal year 1992 in title II contributions to these projects.

WFP's implementation agreement with the government of Ethiopia (specifically, with the Administration of Refugee and Returnee Affairs) contained few accountability requirements.¹ The agreement required the government to (1) provide WFP a bimonthly report on commodity use and losses, (2) suggest ways to improve the project, and (3) file a final project report.

In general, we found that WFP's and the host government's accountability procedures were grossly deficient, allowing massive losses of commodities. WFP did not monitor project operations from 1987 to 1992, and we found that WFP's and the government's current monitoring practices were inadequate. Host government loss reports were so inaccurate that WFP representatives in Ethiopia did not forward them to WFP in Rome. The inaccurate host government reporting hindered WFP's ability to accurately report to donors.

¹ Another government organization, the Relief and Rehabilitation Commission, also handled and distributed WFP commodities. However, WFP had no implementing agreement with the Commission.

MASSIVE LOSSES OF COMMODITIES OCCURRED

----- Appendix I:1.1

Massive losses of commodities (as estimated by WFP, U.N., and U.S. officials) were indicative of the government's deficient accountability procedures. We found that losses occurred from the time food arrived in port to the time it reached its intended beneficiaries.

Significant and sustained losses occurred at the Djibouti port, which handles a significant amount of the WFP commodities for the regional refugee project. For example, the U.S. ambassador in Djibouti estimated losses at the port at 10 percent a year, WFP officials estimated losses at 25 percent a year, and WFP's independent port surveyor reported losses of over 46 percent between November 1991 and April 1992. A WFP official said that WFP lost an entire 4-month buffer stock of wheat (a key commodity) due to infestation, contamination, bad storage, and theft in 1992. According to WFP and U.S. officials, corruption and mismanagement is rampant at the port. They said numerous officials of the government of Djibouti, the Port Authority, and others were involved in fraud and theft of WFP commodities.

In commenting on this report, WFP stated that the large amount of spoilage at the Djibouti port was the result of massive congestion at the port. The congestion occurred because ships bound for Ethiopia

were diverted to Djibouti due to port closures and because food for the Somalia emergency was also shipped to Djibouti. In addition, poor security conditions on Eastern Ethiopia's roads adversely affected WFP's ability to move food out of the port. In response, WFP rented extra warehouses to protect the food. However, heavy rains and flooding in the port in early 1992 resulted in food spoilage. According to WFP, the situation at the Djibouti port has since been brought under control.

Loss of WFP food also resulted from poor management by WFP officials. For example, in November and December 1992, several trains carrying WFP cargo had been dispatched from Djibouti to Dire Dawa, a WFP suboffice in Ethiopia, but WFP/Djibouti staff had not notified anyone in Dire Dawa of the shipment. As a result, when the trains arrived in Dire Dawa, they were parked unattended for several days, and some of the wheat was stolen. Meanwhile, there was no wheat in stock in Jijiga, a major WFP food storage site in Ethiopia, to distribute to refugees.

In addition, according to WFP and U.N. officials, WFP's suboffice in Dire Dawa frequently dispatched convoys of trucks to Jijiga and other distribution points without advance notification. For example, in January 1993, the suboffice sent an unannounced convoy of corn-soya blend, a U.S. contribution, to Jijiga. The convoy carried enough for 16 months of distribution even though the food's shelf life is only 6 months. WFP officials told us that most of the food would eventually be destroyed because it would become unfit for human consumption before it could be distributed.

A key failure of the Ethiopia project was the inflated refugee census. The Ethiopian government and representatives from the U.N. High Commissioner on Refugees (UNHCR), which had the main responsibility for establishing the number of refugees that receive assistance, placed the official number of registered beneficiaries with ration cards at over 600,000 when the actual number was closer to 200,000. As a result, WFP provided food for 400,000 people, perhaps for several years, who were not eligible.

Although WFP was obligated to ensure that only intended beneficiaries received U.S. donations, neither WFP nor UNHCR knew who got the food once it was given to representatives of the refugee community. For example, WFP delivered enough food for an estimated 250,000 people at the Hartisheik refugee camp, when the actual number of persons living there was estimated at only 80,000. Some food was diverted from the intended recipients, and the poorest people sometimes got left out of the distribution. UNHCR officials estimated that less than half the official number of food recipients actually lived at the camp and that 40 percent of the food at the camp was reloaded and sent to Somalia for sale in markets there.

U.S., WFP, UNHCR, and other officials acknowledged that many ration card holders sold their cards to traders and merchants. Because WFP commodities were distributed to refugee representatives (and not directly to the beneficiaries), merchants and traders were able to come to refugee camps with the ration cards they bought, collect rations for as many as 500 persons, load the commodities into trucks, and sell the commodities in nearby towns.

WFP COULD NOT STOP LOSSES

----- Appendix I:1.2

When emergency operations began in Ethiopia in 1987, WFP/Ethiopia neither had a monitoring system nor monitored many aspects of the project. Although WFP has always been responsible for monitoring its donations, WFP/Ethiopia did not specifically include monitoring in its project activities until 1992--5 years after the initial emergency operation. Even though WFP officials in Ethiopia were aware that losses were occurring, they did not regard monitoring as their obligation until 1992, when a new WFP-UNHCR agreement specified WFP's monitoring responsibilities. Since the agreement, WFP has hired seven of ten planned monitors.

Until late 1992, WFP relied principally on monitoring by the host government. However, its monitoring practices did not ensure that commodities were adequately accounted for. We found that the government's warehouses were not well organized or managed, and government officials could not provide us complete or accurate project data or any indication that they were monitoring the project. WFP officials stated that the government staff lacked the skills and training necessary to manage the commodities. They acknowledged that, despite this, WFP neither monitored the government nor insisted on improved government management because WFP did not view monitoring as its responsibility.

Furthermore, government staff have prevented WFP from monitoring government use of WFP stocks and have violated the WFP-Ethiopia agreement. For instance,

- government staff have denied WFP staff access to project operations, particularly to ports and refugee camps;

- in some cases, Djibouti port officials have allowed WFP staff entry to the port only in exchange for bribes;

- at some locations, WFP officials were not permitted to visit refugee camps without prior written permission from the government; and

- the government distributed food to committees of refugees or tribal elders (not directly to the beneficiaries), and thus WFP monitors cannot ensure that the intended beneficiaries received food. (At the Hartisheik refugee camp, commodities for over 20,000 people were provided to about 200 elders.)

What follows are examples of monitoring shortcomings that we identified:

- Food leaving port in trucks was not weighed, so underweight bags were not identified.

- Independent monitors were not always present when food was delivered to warehouses, and when they were present, they did

not count the food to ensure none was stolen.

WFP food monitors did not check the accuracy of stocks in warehouses as required; when we conducted an inventory at a warehouse, we found less than 3,500 metric tons of wheat compared with the 4,850 metric tons reported by the WFP monitor.

Independent observers were not always present at distributions to verify that proper rations were given only to intended beneficiaries. For example, at the Hartisheik camp, food was trucked to different locations at the same time, so the one UNHCR monitor could not possibly verify the amount of food unloaded and the losses incurred at each location.

In November 1992, WFP/Ethiopia created staff positions for one monitoring coordinator and nine food monitors. As of February 1993, six monitors had been hired. Given the large number of distribution sites and concurrent distributions, nine monitors will not be able to monitor food distribution as required by WFP guidelines. The three monitors that we observed said they had not monitored distributions at camps and had no plans to do so, primarily because they had too many other responsibilities. They also told us that they lacked training, communications capability, and transportation to effectively carry out their responsibilities. Although WFP/Ethiopia has requested additional monitors, WFP has yet to provide them.

WFP DOES NOT ENSURE THAT THE GOVERNMENT FULFILLS ITS REPORTING REQUIREMENT

----- Appendix I:1.3

WFP has not required the government to meet its limited reporting responsibility. For example, monthly reports on food stocks and camp population at the Hartisheik refugee camp were inaccurate; the government did not record the beginning stock balance or the amount of food received or lost.

Government agencies frequently did not submit bimonthly reports as required. When the reports were submitted, WFP/Ethiopia considered them unreliable. As a result, WFP did not provide loss rates to WFP headquarters. On the basis of our observations and review of documents, WFP was not able to determine the amount of food that was lost, stolen, damaged, or mishandled. Because WFP/Ethiopia does not provide the amounts of in-country loss to WFP Headquarters, we are uncertain if these losses are included into the annual consolidated loss reports provided to donors.

The WFP-host country agreement also required the government to provide a final report on the project. Previous government reports to WFP indicate that the government had problems meeting its reporting requirements. The final reports on the three projects that preceded the 1992 extension of the operation were inaccurate, incomplete, and did not specify how food was lost.

Because the current phase of the 1992 project extension was scheduled through December 1993 (past our review period), we reviewed the final

reports on the previous phases of the project. We found the final reports on these to be inaccurate, incomplete, and late. For example, although WFP requires an audited report within 3 months of project completion, the government submitted an audited report on a previous phase of the project 2 years after the first phase was completed. The report stated that nearly 51 percent of the 20,000 metric tons of wheat was unaccounted for. We verified the math and found that it incorrectly stated the losses: Sixty percent was lost. The audited reports from earlier phases were also incomplete. They contained no information on the amount of commodities lost due to theft, mismanagement, or spoilage.

AFGHANISTAN REFUGEE OPERATION

----- Appendix I:2

WFP Protracted Refugee Operation (Project 4256) provides food for Afghan refugees registered and residing in Pakistan. Over 3 million people fled Afghanistan after the 1978 Soviet invasion, and WFP established feeding projects for the refugees in 1980. When the projects ended in 1989, the current project was approved and the operation began on January 1, 1990. The project was extended annually in 1991, 1992, and 1993. As of April 1991, over 3.2 million Afghans had registered for benefits, and another 500,000 were believed to be in Pakistan unregistered. In 1991, WFP, UNHCR, and the Pakistan government began a repatriation initiative that pays refugees in cash and wheat to turn in their ration passbooks and return to Afghanistan.

The United States contributed 40 percent of all commodities donated to the project from 1980 to 1992, excluding sugar. The United States donated over 1.9 million tons of the 4.8 million tons of WFP wheat deliveries, which made it the single largest contributor of wheat. The United States was also the largest contributor of cooking oil during this period. In fiscal year 1992, the United States contributed 130,000 tons of food worth \$31.2 million. The U.S. contribution to this project was the second largest U.S. contribution to a WFP project; the largest was the U.S. contribution to the Liberian refugee project in fiscal year 1992.

WFP works in conjunction with the government of Pakistan, provincial governments, and the UNHCR. The project is governed by an implementation agreement between WFP and the host government. The implementation agreement leaves the design and implementation of the accountability system to the host government. The agreement requires the government to report monthly to WFP on commodity use but does not specify how the information in the reports should be gathered or verified prior to report submission.

Provincial government staff provide monthly food distributions, and these distributions are controlled through the use of ration passbooks issued to the head of each registered refugee family. Each month, each family head receives a 1-month ration for each person listed in the passbook.

We found that the accountability procedures used by WFP and the host government were insufficient, as indicated by continuing problems

with losses, theft, and mishandling of WFP food from at least 1987 to 1993. Although WFP monitors identified many instances of mismanagement, WFP was generally ineffective at correcting the problems. WFP and host government monthly loss reports consistently under-reported the amount of food stolen and mishandled.

POOR ACCOUNTABILITY PROCEDURES

----- Appendix I:2.1

WFP did not provide the host government guidance on setting up an adequate accountability system. WFP/Pakistan officials told us that the government did not need WFP's assistance in developing a commodity accountability system because one was already in place. WFP determined the adequacy of the government's system on the basis of informal observations and never formally examined it before initiating the project.

We found the government's accountability system was not sufficient to prevent misappropriation of commodities. Numerous and continuing instances of losses, theft, and mishandling of WFP commodities occurred. On the basis of our estimates, approximately 204,120 tons of food valued at almost \$35 million had been stolen or misappropriated since 1987. Most of the losses occurred as a result of people fraudulently registered as refugees. Losses included 194,400 metric tons of wheat, valued at \$25.3 million, and 9,720 metric tons of vegetable oil, valued at \$9.7 million. During this period, the United States donated 40 percent of all wheat donations and provided most of the oil.

Refugee registration was a key internal control failure in the Afghan project. From 1987 to 1992, WFP provided over 200,000 tons of food to over 270,000 fraudulently registered people. WFP had to rely on the government and UNHCR to implement a registration system, but the system allowed fraudulent registrations and the subsequent over-distribution of commodities. Because WFP's mandate is to provide food, not conduct refugee registrations, WFP accepted the refugee registration figures even though it believed the census figures were unrealistically high.

In 1992, UNHCR, WFP, and the host government negotiated a new refugee population figure for Baluchistan and reduced the registration figure from about 720,000 to about 450,000. The reduction was based on a limited estimate of refugees in a few of the camps. Because officials could not determine which ration passbooks were obtained fraudulently, the host government and UNHCR continue to honor all passbooks. To protect donors, WFP reduced rations to all registrants by the amount of food that would normally have fed 270,000 refugees. But the solution allows the fraud to continue because no passbooks, including those fraudulently obtained, were invalidated.

WFP and the host government acknowledge that they could pay benefits to persons holding fraudulent passbooks under the repatriation effort. Each ration passbook entitles the bearer to wheat and cash when he or she turns in the passbook and repatriates to Afghanistan. We estimate that UNHCR could pay nearly \$6 million in cash and WFP

could provide an additional 13,500 metric tons in wheat to persons holding fraudulent passbooks.

Many instances of mismanagement (that are more in WFP's control than the fraudulent registration problem) continue even though WFP monitors identified some of them many years ago. For example, since January 1990, WFP/Pakistan staff have uncovered numerous examples of underweight wheat distribution, unauthorized sales of donated commodities, and short weight bags of wheat in storage. In March 1991, WFP field monitoring staff reported underweight distribution due to skimming by provincial government officials who were trying to take as much as possible before the refugees repatriated and the project ended. Although WFP notified the government about these unauthorized activities, problems with underweight distribution continued.

In June 1990, at least seven refugee villages in Punjab Province received empty or partly full containers of cooking oil. WFP field monitors investigated and found that the village warehouse staff were pressured to (1) sign receipt documents indicating receipt of full weight shipments and (2) provide underweight distributions to refugees to cover up the theft.

WFP monitors found that provincial government staff were charging refugees a fee to receive their rations. The implementation agreement clearly prohibits this. However, although WFP/Pakistan notified the host government that this practice had occurred, Pakistan officials were not able to effectively stop it.

Finally, provincial governments routinely distribute food to tribal elders or other representatives of the refugee groups who are to deliver the food to intended beneficiaries. We were told that elders sometimes collected hundreds of individual rations this way. This distribution procedure is prohibited by the implementation agreement because it affords no assurance that (1) full rations reach their intended beneficiaries or (2) elders represent as many refugees as they have managed to register. Moreover, when pressed, some tribal elders could not produce any family members, and some could produce only a few. WFP/Pakistan acknowledged that distribution to tribal elders continued on a routine basis but provided no evidence that any serious attempt was made to prevent this unauthorized practice.

We found that while WFP/Pakistan's monitoring of the Afghan refugee project effectively identified commodity management problems, it was not effective at resolving them. Monitoring for the project included (1) a plan to ensure that all field monitors eventually visit all project activity sites, (2) a standardized monitoring checklist and standardized report formats to improve consistency and help identify problems, (3) the assignment of monitors to different locations to maintain independence from the government staff they must monitor, and (4) a new consolidated stock register to track numerous transfers among commodity warehouses and refugee villages in the Northwest Frontier Province.

WFP REPORTS UNDERSTATE
INCURRED LOSSES

----- Appendix I:2.2

WFP's monthly status reports on the project are unreliable. What follows are examples in which WFP under-reported losses by excluding actual losses identified by its own monitors:

WFP and the host government did not report the fraudulent distribution of food in Baluchistan as a loss, although the loss was substantial. WFP knew that fraudulent distribution of food was occurring as early as 1982, and the negotiated reduction of 270,000 was an attempt to estimate the extent of the fraud.

WFP has not reported the underweight distributions that occurred between January 1990 and November 1992 in five districts that WFP reviewed. While the quantity of underweight distribution was often less than 10 pounds per refugee, the aggregate loss could be substantial. Our estimate showed that the potential for loss of up to 900 metric tons of food if 1-pound underweight distributions occurred just once to each registered refugee in the five districts.

From January 1990 to December 1992, WFP under-reported wheat losses on its commodity reports by up to 312 tons. These were losses identified by WFP monitors but excluded from WFP's monthly reports.

In August 1992, ten host government staff members were suspended for misappropriation of WFP food. The quantity of food misappropriated was never determined or reported as a loss.

According to WFP/Pakistan officials, WFP has not reported these losses because of a provision in the WFP-Pakistan agreement. The agreement states that WFP must wait for the government to investigate a loss before it can be reported. WFP officials say that these investigations can be time-consuming and some are never completed. Because so much time has elapsed since the discovery of these losses, we believe that it is unlikely that they will ever be reported.

PAKISTAN DEVELOPMENT PROJECT

----- Appendix I:3

Rural Development Works in the Northwest Frontier Province (Project 2309) is a food-for-work project designed to assist Pakistan in making infrastructure improvements in the rural province. The project promotes the construction of roads, irrigation systems, and other facilities while providing employment opportunities for local residents. In addition, it attempts to strengthen democratic institutions by permitting democratically elected local governing bodies, known as union councils and district councils, to select and implement individual projects. The democratically elected councils select and manage the development projects. Construction work is carried out by local workers who receive food and cash as compensation for their labor.

WFP approved the development project in April 1980 and reapproved it in 1984, 1988, and 1990. The project was suspended in 1991 when the

host government dissolved the union councils for political reasons; WFP plans to restart the project are underway.

WFP signed the implementation agreement with the government of Pakistan. The government designated the Ministry of Food and Agriculture as the point of contact with WFP for policy matters, and the Northwest Frontier Province's Department of Local Government and Rural Development for implementation issues. Under the WFP-Pakistan agreement, the host government was responsible for storing and distributing commodities. The agreement does not provide guidance on specific accountability procedures but does require that the government and WFP monitor the project and submit commodity use and audit reports.

Our review found problems with a series of special allocations made between 1988 and 1990.¹² We found that inadequate accountability controls over these allocations resulted in hundreds of thousands of staff days of food being stolen or mishandled. WFP monitoring practices were not effective and follow-up on losses was inadequate. We did not verify loss reports because the program was in suspension and, therefore, adequate data were not available.

¹² Special allocations are large-scale, one-time allotments of food provided in exchange for work on a specific development project.

LOSSES INCURRED IN SERIES OF SPECIAL ALLOCATIONS

----- Appendix I:3.1

WFP experienced a series of losses in the food-for-work projects involving special allocations made between 1988 and 1990. These allocations totaled 985,000 workdays,¹³ and of this amount, WFP found that food for 710,000 workdays was stolen or misappropriated. The losses totaled 2,085 metric tons of food, including 1,775 metric tons of wheat valued at approximately \$230,750, 53 metric tons of vegetable oil, 177 metric tons of pulses (such as lentils, beans, or peas), 71 metric tons of sugar, and 8.5 metric tons of tea.

Of the 710,000 workdays of food that was misappropriated, WFP found that 200,000 workdays of food was stolen and sold in Peshawar. Another 100,000 workdays of food was stolen with no trace of distribution to the intended recipients. WFP monitors verified the misallocation and notified provincial government authorities. The authorities disagreed with WFP and never compensated it for the thefts.

In three additional special allocations of 250,000, 100,000, and 60,000 workdays of food, none of the allocations were ever brought to the intended worksites or distributed to workers. Furthermore, files were faked to show that work had been completed when, in fact, most of the work was not done at all. Unlike the earlier cases, Northwest Frontier Province officials agreed that the commodities had been misused and claimed to have remedied the situation. However, as of April 21, 1993, WFP had not reverified that any such work had

occurred in spite of past problems on the projects. In 1991, to prevent such problems in the future, WFP eliminated the practice of distributing special allocations.

In contravention to normal WFP procedures, WFP also permitted the provincial government to give commodities to the district and union councils before the food-for-work projects were selected. In other food-for-work projects that WFP oversees, it requires project selection before commodity allocation. This practice prevents WFP from providing more workdays of food than necessary. In the Pakistan project, however, WFP had no assurance that it maximized its food-for-work ratio. According to WFP/Pakistan, when the development project restarts, the process will be changed to require that project selection and approval occur before commodity allocation.

\\3 Under the project agreement, each worker was entitled to approximately 6.5 pounds of food for each day of work, or workday, performed on the project.

MONITORING PRACTICES WERE INADEQUATE

----- Appendix I:3.2

We found little evidence of coordination between monitoring visits, no consistency in reporting, and no organized follow-up of identified deficiencies. We could not reconstruct the monitoring activity for the most recent monitoring year. The monitoring reports did not follow a consistent format, making it difficult for WFP management to determine whether monitoring was sufficient or which weaknesses were identified. In addition, WFP monitors were not present for the distribution of the special allocations of 710,000 workdays of food made during the 1988-90 period.

The monitoring system also lacked an organized follow-up system. It appeared that follow-up on deficiencies was entirely ad hoc and, therefore, complicated by frequent staff changes. For example, in the case of the misappropriation of 250,000 workdays of food, government officials agreed that no work had been performed and assured WFP that the responsible parties were forced to complete the work that was originally planned. However, WFP staff during that period never verified that any work was performed. Because of staff turnover, the new staff was unaware of the case until we brought it to their attention during our review.

WFP officials in Pakistan told us that the monitoring system is in the process of being changed. When the project restarts, field monitors will use a monitoring checklist, currently being revised at the WFP office in Islamabad, to standardize the type of information collected during field visits. Also, WFP has begun using a standard report format to improve the consistency of information collected on all WFP projects in Pakistan. Although we did not assess the potential impact of these changes, they do not address WFP's inability to assure government officials properly safeguard WFP food donations.

LIBERIA REFUGEE PROJECT

----- Appendix I:4

The Regional Protracted Refugee Operation (Project 4604) serves refugees and displaced persons in Cote d'Ivoire, Guinea, Liberia, and Sierra Leone. The refugee operation is an extension of a continuous succession of projects that have provided assistance in the four-country region since March 1990. The latest extension is a 1-year operation that began in January 1993 and is intended to provide food to about 2 million beneficiaries in the region. The estimated cost of the project is \$171 million, including WFP costs of \$118 million and UNHCR and other donor costs of \$53 million. The United States provided 67,530 metric tons of food and transportation costs for a total contribution of \$39 million in fiscal year 1992. This represents the largest U.S. commitment of title II resources to any WFP emergency in fiscal year 1992.

Because we were not permitted to visit Liberia due to security and administrative problems, we reviewed the Cote d'Ivoire portion of the regional operation. WFP's regional headquarters is located in Cote d'Ivoire, and the country hosts 240,000 refugees. WFP has implementation agreements with the Cote d'Ivoire government. Because of inadequate resources, Cote d'Ivoire delegated its implementing responsibilities to the local Red Cross.

ACCOUNTABILITY WAS GOOD

----- Appendix I:4.1

The WFP project that we visited in Cote d'Ivoire had adequate accountability practices in large part because the local Red Cross had higher standards of commodity control than WFP. In addition, the government had not used WFP food as a potential resource and allowed the Red Cross and WFP to manage, monitor, and report on all project activities.

WFP generally monitors commodities from the time they arrive at port until the time they are delivered to the local Red Cross. WFP relies on the local Red Cross to distribute food in Cote d'Ivoire, and often WFP does not fulfill its requirement to observe food distribution. Nevertheless, our work indicates that the Red Cross is providing reasonable assurances that proper rations are provided to eligible beneficiaries.

The local Red Cross staff received training from the International League of Red Cross/Red Crescent Societies on how to manage and distribute food. The only shortcoming we found at Cote d'Ivoire was the Red Cross failure to always be accompanied by an independent observer at food distribution sites. The presence of an independent observer provides a validation check on reported disbursements.

In our visits to Cote d'Ivoire warehouses, we found only one case of mismanaged food. In this instance, a small amount of U.S.- supplied corn-soya blend was not adequately stored. Several bags were torn apart and exposed. Red Cross staff told us that WFP field staff had

not responded to its requests to declare the food unfit for consumption and suitable for disposal.

WFP RELIES ON THE RED CROSS TO REPORT ON COMMODITY USE

----- Appendix I:4.2

WFP relies almost solely on Red Cross officials to report on commodity use, and the commodity reports provided by Red Cross to WFP in Cote d'Ivoire appeared to be reasonably accurate and timely. WFP does not have an implementation agreement with the Red Cross; therefore, the Red Cross is not required to use the standard WFP reporting format. However, on the basis of our review, WFP was generally able to determine the amount of food that was lost, stolen, damaged, or mishandled. WFP has taken corrective actions based on problems identified in the commodity reports.

INDIA DEVELOPMENT PROJECT

----- Appendix I:5

The Supplementary Nutrition Project in India (Project 2206) began in 1976 as part of the government of India's Integrated Child Development Scheme. The scheme is intended to provide supplemental nutrition and other services to eligible children 6 years old and under and to pregnant and lactating mothers. WFP's project is to fill the nutrition gap between the minimum calorie requirement and the average amount that this nutritionally vulnerable group is actually consuming.

WFP approved the fifth extension of the program in December 1988, food distribution began in October 1990, and distribution is scheduled to last until December 1993. WFP required about 84,000 metric tons of soya-fortified bulgur wheat, 18,000 tons of corn- soya blend, and 12,500 tons of vegetable oil, valued at a total of \$45.6 million. The United States was the sole donor of all resources, except for 15 percent of the vegetable oil, which was supplied by Sweden.

WFP has an implementation agreement with the government of India. The agreement does not specify accountability requirements but does require that the government submit quarterly commodity reports and annual audit reports. State social welfare agencies implement the projects for the government. Each of the state agencies subdivides its state by sectors, and each sector has about 20 feeding centers. These centers are headed by center workers who manage the center, provide hot meals daily using WFP-supplied foods, and arrange for other social services.

We found generally adequate accountability procedures in use for this project. WFP and the state agencies provided reasonable assurances that food would be used as intended. Monitoring was systematic, and irregularities were reconciled. WFP commodity reports were generally submitted on time, and we found no anomalies in the reports.

INTERNAL CONTROLS AND MONITORING PRACTICES WERE EFFECTIVE

----- Appendix I:5.1

The government of India provides adequate accountability over WFP-supplied commodities. It maintains tight control over the process of accounting for commodities lost during distribution. We identified only one potential weakness in the accountability system: The state agencies sometimes left vacant supervisor positions that are critical to the effective application of internal controls.

Supervision is an important control because food distribution workers are not always sufficiently literate to adequately fulfill their reporting responsibilities and, therefore, need supervisory guidance. Although the supervisors are responsible for ensuring that these workers meet all their responsibilities, only two of the six supervisor slots in the sector of the state that we visited were filled during our visit. The existing supervisors were left to cover too many feeding sites. This shortfall increases the risk of errors in the monthly reports prepared by the workers. According to WFP, the salary paid to these workers is insufficient to always attract literate or educated staff.

WFP in India effectively monitored the India development project by obtaining and reconciling independent reports from various stages in the distribution process and making field visits to follow up on irregularities. WFP also has an ongoing initiative to improve monitoring by developing an automated commodity reporting system known as "Nutrmonitor." WFP is developing the Nutrmonitor system, which automates a reconciliation system on various commodity reports, with a grant provided by AID. WFP also conducts planned field visits, checks warehouse operations and stocks balances, and monitors feeding centers.

QUARTERLY REPORTS WERE ACCURATE, BUT AUDIT REPORTS DID NOT MEET REQUIREMENTS

----- Appendix I:5.2

State government commodity reports accurately reflected commodity use. All but one of the five Indian states participating in the WFP project had submitted the reports to WFP on time at the time of our review. WFP used these reports as the basis for commodity reporting. We were able to trace shipments from port to distribution and found no significant irregularities on our review of the commodity reports.

Unlike quarterly commodity reports, most state annual audit reports did not meet WFP requirements. At the time of our review, only one of the five states had provided the reports on time. WFP/India also had difficulty reconciling the annual audit reports with the quarterly reports due to the complex nature of the project structure.

(See figure in printed edition.)Appendix II
COMMENTS FROM THE AGENCY FOR
INTERNATIONAL DEVELOPMENT

===== Appendix I

(See figure in printed edition.)

(See figure in printed edition.)

(See figure in printed edition.)

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The following are GAO's comments on the Agency for International
Development's letter dated November 24, 1993.

GAO COMMENTS

----- Appendix I:6

1. We have not suggested that AID should exercise direct management control over WFP activities, and our report fully recognizes that AID must work through the WFP governing board to achieve the desired management improvements. Nevertheless, we believe that AID cannot avoid its responsibility for ensuring that U.S. government contributions are properly managed. AID's regulations recognize this responsibility by requiring AID overseas missions to (1) determine whether WFP and the host government can effectively manage U.S. donations prior to the provision of U.S. assistance and (2) periodically assess WFP and host country management and alert WFP and AID of any program mismanagement for resolution. This responsibility is further recognized in AID's title II agreement with WFP that gives

AID the right to examine WFP records and to seek a U.S. audit of the program if necessary.

2. Our draft report recommended that AID either apply regulation 11 to WFP or work with other delegations and WFP's Executive Director in specific areas to improve WFP's management and accountability procedures. AID's objection to applying regulation 11 to WFP rests on the fact that this regulation includes direct audit authority over grantees by AID's Inspector General. AID argued in an attachment to its comments (which we did not reprint due to its length) that the United States generally does not have authority to audit international organizations to which the U.S. contributes, such as WFP, unless a fund is established at the international organization to which the United States is the sole contributor. AID stated that executive branch policy excludes international organizations from uniform U.S. administrative requirements that are applied when federal departments and agencies make grants or otherwise provide assistance.

We agree with AID that to condition AID's support for WFP on WFP acceptance of AID regulation 11, with the right to audit reserved for the Inspector General, would be inconsistent with executive branch policy and practice in providing assistance to U.N. agencies, and may be inconsistent with international agreements to which the United States is a signatory. We also agree with AID that even without regulation 11, the United States currently has the tools and the opportunity both to affect WFP's procedures for approving and monitoring projects and to improve AID participation in the process. As indicated by AID's Office of General Counsel, the United States should use its membership on the Committee on Food Aid Policies and Programs to (1) help WFP improve its procedures and internal controls for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct deficiencies; and (4) require annual reports to the Committee on Food Aid Policies and Programs about the status of important findings of the external auditor and recommendations affecting the program.

According to AID's General Counsel, AID should be more diligent in following existing guidance and using current authority with respect to WFP comments on proposed WFP projects in forming positions about approval of projects by the Committee on Food Aid Policies and Programs. If necessary, the U.S. delegation should insist on receiving additional information, including changes in project design, to be satisfied that the recipient country can implement the project effectively and WFP has the capability to supervise and monitor it responsibly. If missions suspect program irregularities during implementation, they should inform both local WFP personnel and AID, which can raise the problems with WFP's Executive Director or the Committee on Food Aid Policies and Programs if appropriate. When necessary, AID may exercise its rights under the standard Transfer Authorization to request additional information from WFP about the handling and disposition of donated commodities and an audit of the program by WFP.

We have modified our recommendation to delete the references to AID

regulation 11.

3. We agree that the delivery of food is both difficult and risky and that losses will inevitably occur. However, we believe that adequate visibility over the losses incurred during distribution of the commodities and feedback to donors on the effectiveness of the distribution process are vital to continued support for such operations.

4. WFP has recently taken or plans to take numerous actions to improve its management and accountability processes. This information has been included in chapter 2.

5. We believe that WFP's reliance upon host government accountability procedures and the problems identified in three of the five projects we reviewed, illustrate the weaknesses in WFP's accountability procedures. Furthermore, as the text of this report states, the fact that the projects in India and for Liberian refugees in Cote d'Ivoire were well managed cannot be attributed to WFP's procedures or policies, but instead occurred because WFP's partners already had in place acceptable procedures.

6. Information on WFP's budgetary constraints has been included in chapter 2. We agree with AID that WFP's ability to adequately monitor and report on the distributions of food may require additional resources; however, evaluating WFP's administrative structure was outside of the scope of this report.

7. We reviewed in detail the multi-step process used to review and approve WFP projects. We found that while the United States had a process in place, it was not using the process effectively to ensure proper safeguards over U.S. donations. We found that (1) missions were generally not assessing WFP and host country management capabilities, (2) the U.S. delegation members generally did not coordinate their positions prior to arriving in Rome, and (3) the delegation members did not generally raise management problems, such as those in Ethiopia, even when they were aware of them.

A review of AID headquarters files did not indicate that the U.S. delegation had adequately prepared for the Subcommittee on Projects meetings. Further, we found that of the hundreds of projects proposed by WFP, the U.S. delegation had never rejected a proposal. While the United States has developed a multi-step review process, we saw no evidence that this corrected WFP program management problems that had been ongoing, in some projects, for years.

8. We confirmed losses of over 200,000 metric tons of food in the Pakistan and Afghanistan projects. We also identified significant loss rates above this level that we were not able to quantify. We did not include those losses that could not be quantified in our loss figures.

9. We agree that we found no evidence that emergency victims had suffered as a result of AID's slow emergency response time. However, this was the result of WFP's shifting commodities destined from one project to the emergency rather than because of prompt U.S. responses to WFP's requests. In fact, WFP officials told us that

AID's slow response resulted in significant and costly administrative burdens on their part.

10. We agree that some losses will inevitably occur in the commodity distribution process, particularly in the difficult environment in which the commodity distributions sometimes take place. However, we believe that adequate systems to monitor, safeguard, and account for the commodities would have significantly reduced the losses. At a minimum, such systems could have alerted donors to high losses as they occurred and placed them in a position to discontinue distribution, thereby avoiding continued losses. The fact that the losses were not being identified or reported hampered (1) WFP from strengthening its procedures for safeguarding and accounting for the commodities and (2) the donors from making informed decisions over whether to continue the contributions. Nevertheless, since a direct causal relationship cannot be proven, we have modified the report language.

11. AID objected to our characterization that it had abdicated its responsibility because such a characterization implies a "willful giving up," which AID said was not the case. Our review clearly shows that AID neglected to ensure that WFP had the capability and systems to provide proper accountability for U.S. government-provided resources. However, we cannot judge whether this neglect was willful and we have therefore deleted the word "abdication" from our report.

12. Our draft report did not suggest that AID missions have a responsibility to resolve management problems of WFP projects. AID regulations state that missions should be alert to any WFP program management shortcomings and bring any instances of misuse of commodities to the attention of WFP representatives. If the matter cannot be resolved, the missions are directed to notify AID/Washington for resolution.

(See figure in printed edition.)Appendix III
COMMENTS FROM THE WORLD FOOD
PROGRAM

===== Appendix I

(See figure in printed edition.)

(See figure in printed edition.)

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(See figure in printed edition.)

The following are GAO's comments on the World Food Program's letter dated November 17, 1993.

GAO COMMENTS

----- Appendix I:7

1. We have included this information in chapter 2 to reflect recent steps taken by WFP to improve its accountability, monitoring, and reporting.
2. We have included information on WFP financial resources in chapter 2.

(See figure in printed edition.)Appendix IV
COMMENTS FROM THE DEPARTMENT OF
AGRICULTURE

===== Appendix I

(See figure in printed edition.)

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